

The tables below reflect the total benefits expected to be paid from the plan or from the Registrants' assets. The payments include the participants' contributions to the plan for their share of the cost. Future benefit payments are dependent on the number of employees retiring, whether the retiring employees elect to receive pension benefits as annuities or as lump sum distributions, future integration of the benefit plans with changes to Medicare and other legislation, future levels of interest rates and variances in actuarial results. The estimated payments for the pension benefits and OPEB are as follows:

<u>Pension Plans</u>	<u>AEP</u>	<u>AEP Texas</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
(in millions)							
2020	\$ 378.1	\$ 37.5	\$ 45.8	\$ 40.1	\$ 36.2	\$ 20.9	\$ 24.0
2021	382.8	37.3	46.0	40.5	36.1	21.3	24.7
2022	380.5	35.9	45.7	42.5	35.7	21.2	25.2
2023	383.8	36.6	46.1	42.2	35.8	22.6	25.4
2024	382.9	36.3	46.8	42.8	34.0	21.5	25.8
Years 2025 to 2029, in Total	1,800.7	162.2	217.4	211.6	161.1	98.3	119.6

<u>OPEB Benefit Payments</u>	<u>AEP</u>	<u>AEP Texas</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
(in millions)							
2020	\$ 126.3	\$ 10.0	\$ 22.5	\$ 15.2	\$ 14.8	\$ 6.8	\$ 7.5
2021	124.0	10.0	21.8	15.2	14.2	6.7	7.7
2022	125.2	10.4	21.6	15.5	14.4	6.9	8.0
2023	125.0	10.6	21.2	15.5	14.3	7.0	8.2
2024	124.6	10.7	21.1	15.4	14.1	7.1	8.4
Years 2025 to 2029, in Total	592.6	50.8	97.8	72.8	65.4	33.7	40.6

<u>OPEB Medicare Subsidy Receipts</u>	<u>AEP</u>	<u>AEP Texas</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
(in millions)							
2020	\$ 0.2	\$ —	\$ 0.1	\$ —	\$ —	\$ —	\$ —
2021	0.3	—	0.2	—	—	—	—
2022	0.3	—	0.2	—	—	—	—
2023	0.3	—	0.1	—	—	—	—
2024	0.3	—	0.1	—	—	—	—
Years 2025 to 2029, in Total	1.4	—	0.6	—	—	—	—

Components of Net Periodic Benefit Cost

The following tables provide the components of net periodic benefit cost (credit) by Registrant for the plans:

<u>AEP</u>	<u>Pension Plans</u>			<u>OPEB</u>		
	<u>Years Ended December 31,</u>					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	<u>(in millions)</u>					
Service Cost	\$ 95.5	\$ 97.6	\$ 96.5	\$ 9.5	\$ 11.6	\$ 11.2
Interest Cost	204.4	187.8	203.1	50.5	47.4	59.3
Expected Return on Plan Assets	(296.0)	(290.3)	(284.8)	(93.7)	(102.2)	(101.3)
Amortization of Prior Service Cost (Credit)	—	—	1.0	(69.1)	(69.1)	(69.1)

Amortization of Net Actuarial Loss	57.6	85.2	82.8	22.1	10.5	36.7
Settlements	—	2.6	—	—	—	—
Net Periodic Benefit Cost (Credit)	<u>61.5</u>	<u>82.9</u>	<u>98.6</u>	<u>(80.7)</u>	<u>(101.8)</u>	<u>(63.2)</u>
Capitalized Portion	(38.6)	(41.1)	(39.9)	(3.8)	(4.9)	25.6
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	<u>\$ 22.9</u>	<u>\$ 41.8</u>	<u>\$ 58.7</u>	<u>\$ (84.5)</u>	<u>\$ (106.7)</u>	<u>\$ (37.6)</u>

AEP Texas

<u>AEP Texas</u>	Pension Plans			OPEB		
	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 8.6	\$ 9.2	\$ 8.6	\$ 0.8	\$ 0.9	\$ 0.9
Interest Cost	17.5	16.0	17.1	4.0	3.8	4.9
Expected Return on Plan Assets	(25.8)	(25.6)	(25.0)	(7.8)	(8.6)	(8.8)
Amortization of Prior Service Cost	—	—	—	(5.9)	(5.9)	(5.8)
Amortization of Net Actuarial Loss	4.9	7.2	7.0	1.8	0.8	3.2
Net Periodic Benefit Cost (Credit)	5.2	6.8	7.7	(7.1)	(9.0)	(5.6)
Capitalized Portion	(4.5)	(4.8)	(4.0)	(0.4)	(0.5)	2.9
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	\$ 0.7	\$ 2.0	\$ 3.7	\$ (7.5)	\$ (9.5)	\$ (2.7)

APCo

APCo	Pension Plans			OPEB		
	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 9.4	\$ 9.3	\$ 9.4	\$ 1.0	\$ 1.1	\$ 1.1
Interest Cost	25.2	23.5	25.7	8.7	8.2	10.6
Expected Return on Plan Assets	(37.4)	(36.6)	(35.8)	(14.6)	(16.0)	(16.5)
Amortization of Prior Service Cost (Credit)	—	—	0.2	(10.1)	(10.0)	(10.1)
Amortization of Net Actuarial Loss	7.0	10.6	10.4	3.7	1.9	6.3
Net Periodic Benefit Cost (Credit)	4.2	6.8	9.9	(11.3)	(14.8)	(8.6)
Capitalized Portion	(4.0)	(3.8)	(4.0)	(0.4)	(0.5)	3.5
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	\$ 0.2	\$ 3.0	\$ 5.9	\$ (11.7)	\$ (15.3)	\$ (5.1)

I&M

I&M	Pension Plans			OPEB		
	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 13.4	\$ 13.6	\$ 14.0	\$ 1.4	\$ 1.6	\$ 1.6
Interest Cost	23.8	22.1	24.3	5.8	5.4	6.9
Expected Return on Plan Assets	(36.8)	(35.7)	(34.6)	(11.4)	(12.3)	(12.2)
Amortization of Prior Service Cost (Credit)	—	—	0.2	(9.4)	(9.5)	(9.4)
Amortization of Net Actuarial Loss	6.6	9.8	9.7	2.7	1.2	4.4
Net Periodic Benefit Cost (Credit)	7.0	9.8	13.6	(10.9)	(13.6)	(8.7)
Capitalized Portion	(3.4)	(5.6)	(5.5)	(0.4)	(0.7)	3.5
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	\$ 3.6	\$ 4.2	\$ 8.1	\$ (11.3)	\$ (14.3)	\$ (5.2)

OPCo

	Pension Plans	OPEB
	Years Ended December 31,	

	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 7.9	\$ 7.7	\$ 7.5	\$ 0.8	\$ 0.9	\$ 0.9
Interest Cost	19.1	17.7	19.4	5.5	5.1	6.7
Expected Return on Plan Assets	(29.3)	(28.8)	(27.9)	(10.8)	(11.7)	(11.9)
Amortization of Prior Service Cost (Credit)	—	—	0.1	(6.9)	(6.9)	(6.9)
Amortization of Net Actuarial Loss	5.3	8.0	7.8	2.5	1.1	4.3
Net Periodic Benefit Cost (Credit)	<u>3.0</u>	<u>4.6</u>	<u>6.9</u>	<u>(8.9)</u>	<u>(11.5)</u>	<u>(6.9)</u>
Capitalized Portion	<u>(3.7)</u>	<u>(3.6)</u>	<u>(3.3)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>3.3</u>
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	<u>\$ (0.7)</u>	<u>\$ 1.0</u>	<u>\$ 3.6</u>	<u>\$ (9.3)</u>	<u>\$ (11.9)</u>	<u>\$ (3.6)</u>

PSO

PSO	Pension Plans			OPEB		
	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 6.5	\$ 7.0	\$ 6.4	\$ 0.6	\$ 0.7	\$ 0.7
Interest Cost	10.6	9.9	10.7	2.6	2.5	3.2
Expected Return on Plan Assets	(16.3)	(16.1)	(15.6)	(5.1)	(5.6)	(5.6)
Amortization of Prior Service Cost	—	—	—	(4.3)	(4.3)	(4.3)
Amortization of Net Actuarial Loss	2.9	4.4	4.3	1.2	0.5	2.0
Net Periodic Benefit Cost (Credit)	3.7	5.2	5.8	(5.0)	(6.2)	(4.0)
Capitalized Portion	(2.4)	(2.6)	(2.1)	(0.2)	(0.3)	1.4
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	\$ 1.3	\$ 2.6	\$ 3.7	\$ (5.2)	\$ (6.5)	\$ (2.6)

SWEPCo

SWEPCo	Pension Plans			OPEB		
	Years Ended December 31,					
	2019	2018	2017	2019	2018	2017
	(in millions)					
Service Cost	\$ 8.6	\$ 9.3	\$ 8.7	\$ 0.8	\$ 0.9	\$ 0.9
Interest Cost	12.4	11.3	12.3	3.1	2.8	3.6
Expected Return on Plan Assets	(17.7)	(17.3)	(17.0)	(5.9)	(6.4)	(6.3)
Amortization of Prior Service Cost (Credit)	—	—	0.1	(5.2)	(5.2)	(5.2)
Amortization of Net Actuarial Loss	3.4	5.1	4.9	1.4	0.6	2.3
Settlements	—	0.4	—	—	—	—
Net Periodic Benefit Cost (Credit)	6.7	8.8	9.0	(5.8)	(7.3)	(4.7)
Capitalized Portion	(2.9)	(3.1)	(2.7)	(0.3)	(0.3)	1.4
Net Periodic Benefit Cost (Credit)						
Recognized in Expense	\$ 3.8	\$ 5.7	\$ 6.3	\$ (6.1)	\$ (7.6)	\$ (3.3)

American Electric Power System Retirement Savings Plan

AEP sponsors the American Electric Power System Retirement Savings Plan, a defined contribution retirement savings plan for substantially all employees who are not covered by a retirement savings plan of the UMWA. This qualified plan offers participants an opportunity to contribute a portion of their pay, includes features under Section 401(k) of the Internal Revenue Code and provides for company matching contributions. The matching contributions to the plan are 100% of the first 1% of eligible employee contributions and 70% of the next 5% of contributions.

The following table provides the cost for matching contributions to the retirement savings plans by Registrant:

Company	Year Ended December 31,		
	2019	2018	2017
	(in millions)		
AEP	\$ 76.4	\$ 71.8	\$ 74.6
AEP Texas	5.9	5.7	6.0

APCo	7.5	7.5	7.4
I&M	11.0	10.5	10.7
OPCo	6.6	6.3	6.1
PSO	4.6	4.5	5.0
SWEPCo	6.2	5.9	6.0

UMWA Benefits

Health and Welfare Benefits (Applies to AEP and APCo)

AEP provides health and welfare benefits negotiated with the UMWA for certain unionized employees, retirees and their survivors who meet eligibility requirements. APCo also provides the same UMWA health and welfare benefits for certain unionized mining retirees and their survivors who meet eligibility requirements. AEP and APCo administer the health and welfare benefits and pay them from their general assets.

Multiemployer Pension Benefits (Applies to AEP)

UMWA pension benefits are provided through the United Mine Workers of America 1974 Pension Plan (Employer Identification Number: 52-1050282, Plan Number 002), a multiemployer plan. The UMWA pension benefits are administered by a board of trustees appointed in equal numbers by the UMWA and the Bituminous Coal Operators' Association (BCOA), an industry bargaining association. AEP makes contributions to the United Mine Workers of America 1974 Pension Plan based on provisions in its labor agreement and the plan documents. The UMWA pension plan is different from single-employer plans as an employer's contributions may be used to provide benefits to employees of other participating employers. A withdrawing employer may be subject to a withdrawal liability, which is calculated based upon that employer's share of the plan's unfunded benefit obligations. If an employer fails to make required contributions or if its payments in connection with its withdrawal liability fall short of satisfying its share of the plan's unfunded benefit obligations, the remaining employers may be allocated a greater share of the remaining unfunded plan obligations. Under the Pension Protection Act of 2006 (PPA), the UMWA pension plan was in Critical and Declining Status for the plan years ending June 30, 2019 and 2018, without utilization of extended amortization provisions. As required under the PPA, the Plan adopted a Rehabilitation Plan in 2015. The Rehabilitation Plan has been updated annually, most recently in April 2019.

The amounts contributed by AEP affiliates in 2019, 2018 and 2017 were immaterial and represent less than 5% of the total contributions in the plan's latest annual report based on the plan year ended June 30, 2018. The contributions in 2019, 2018 and 2017 did not include surcharges.

Under the terms of the UMWA pension plan, contributions will be required to continue beyond the December 31, 2020 expiration of the current collective bargaining agreement between the Cook Coal Terminal (CCT) facility and the UMWA, whether or not the term of that agreement is extended or a subsequent agreement is entered, so long as both the UMWA pension plan remains in effect and an AEP affiliate continues to operate the facility covered by the current collective bargaining agreement. The contribution rate applicable would be determined in accordance with the terms of the UMWA pension plan by reference to the National Bituminous Coal Wage Agreement, subject to periodic revisions, between the UMWA and the BCOA. If the UMWA pension plan would terminate or an AEP affiliate would cease operation of the facility without arranging for a successor operator to assume its liability, the withdrawal liability obligation would be triggered.

Based upon the planned closure of CCT in 2022, AEP records a UMWA pension withdrawal liability on the balance sheet. The UMWA pension withdrawal liability is re-measured annually and is the estimated value of the company's anticipated contributions toward its proportionate share of the plan's unfunded vested liabilities. As of December 31, 2019 and 2018, the liability balance was \$20 million and \$15 million, respectively. AEP recovers the estimated value of its UMWA pension withdrawal liability through fuel clauses in certain regulated jurisdictions. AEP records a regulatory asset on the balance sheets when the UMWA pension withdrawal liability exceeds the cumulative billings collected and a regulatory liability on the balance sheets when the cumulative billings collected exceed the withdrawal liability. As of December 31, 2019, AEP recorded a regulatory asset on the balance sheets for \$2 million and as of December 31, 2018, AEP recorded a regulatory liability on the balance sheets for \$3 million. If any portion of the UMWA pension withdrawal liability is not recoverable, it could reduce future net income and cash flows and impact financial condition.

9. BUSINESS SEGMENTS

The disclosures in this note apply to all Registrants unless indicated otherwise.

AEP's Reportable Segments

AEP's primary business is the generation, transmission and distribution of electricity. Within its Vertically Integrated Utilities segment, AEP centrally dispatches generation assets and manages its overall utility operations on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight. Intersegment sales and transfers are generally based on underlying contractual arrangements and agreements.

AEP's reportable segments and their related business activities are outlined below:

Vertically Integrated Utilities

- Generation, transmission and distribution of electricity for sale to retail and wholesale customers through assets owned and operated by AEGCo, APCo, I&M, KGPCo, KPCo, PSO, SWEPCo and WPCo.

Transmission and Distribution Utilities

- Transmission and distribution of electricity for sale to retail and wholesale customers through assets owned and operated by AEP Texas and OPCo.
- OPCo purchases energy and capacity at auction to serve SSO customers and provides transmission and distribution services for all connected load.

AEP Transmission Holdco

- Development, construction and operation of transmission facilities through investments in AEPTCo. These investments have FERC-approved returns on equity.
- Development, construction and operation of transmission facilities through investments in AEP's transmission-only joint ventures. These investments have PUCT-approved or FERC-approved returns on equity.

Generation & Marketing

- Contracted renewable energy investments and management services.
- Competitive generation in ERCOT and PJM.
- Marketing, risk management and retail activities in ERCOT, PJM, SPP and MISO.

The remainder of AEP's activities are presented as Corporate and Other. While not considered a reportable segment, Corporate and Other primarily includes the purchasing of receivables from certain AEP utility subsidiaries, Parent's guarantee revenue received from affiliates, investment income, interest income, interest expense, income tax expense and other nonallocated costs.

The tables below present AEP's reportable segment income statement information for the years ended December 31, 2019, 2018 and 2017 and reportable segment balance sheet information as of December 31, 2019 and 2018.

	Vertically Integrated Utilities	Transmission and Distribution Utilities	AEP Transmission Holdco	Generation & Marketing	Corporate and Other (a)	Reconciling Adjustments	Consolidated
	(in millions)						
2019							
Revenues from							
External Customers	\$ 9,245.7	\$ 4,319.0	\$ 260.2	\$ 1,721.8	\$ 14.7	\$ —	\$ 15,561.4
Other Operating Segments	121.4	163.5	813.0	135.8	81.1	(1,314.8)	—
Total Revenues	<u>\$ 9,367.1</u>	<u>\$ 4,482.5</u>	<u>\$ 1,073.2</u>	<u>\$ 1,857.6</u>	<u>\$ 95.8</u>	<u>\$ (1,314.8)</u>	<u>\$ 15,561.4</u>
Asset Impairments and Other Related Charges	\$ 92.9	\$ 32.5	\$ —	\$ 31.0	\$ —	\$ —	\$ 156.4
Depreciation and Amortization	1,447.0	789.5	183.4	69.5	0.6	24.5 (b)	2,514.5
Interest Expense	568.3	243.3	103.3	30.0	193.7	(66.1) (b)	1,072.5
Income Tax Expense (Benefit)	(97.7)	(25.2)	136.2	(53.8)	27.6	—	(12.9)
Equity Earnings (Loss) of Unconsolidated Subsidiaries	3.0	—	72.8	(3.8)	0.1	—	72.1
Net Income (Loss)	\$ 985.6	\$ 451.0	\$ 520.1	\$ 104.1	\$ (141.0)	\$ —	\$ 1,919.8
Gross Property Additions	\$ 2,437.4	\$ 2,074.3	\$ 1,458.9	\$ 1,005.1	\$ 14.5	\$ (20.4)	\$ 6,969.8
Total Property, Plant and Equipment	\$ 47,323.7	\$ 19,773.3	\$ 10,334.0	\$ 1,650.8	\$ 418.4	\$ (354.5) (b)	\$ 79,145.7
Accumulated Depreciation and Amortization	<u>14,580.4</u>	<u>3,911.2</u>	<u>418.9</u>	<u>99.0</u>	<u>184.5</u>	<u>(186.4) (b)</u>	<u>19,007.6</u>
Total Property, Plant and Equipment – Net	<u>\$ 32,743.3</u>	<u>\$ 15,862.1</u>	<u>\$ 9,915.1</u>	<u>\$ 1,551.8</u>	<u>\$ 233.9</u>	<u>\$ (168.1) (b)</u>	<u>\$ 60,138.1</u>
Total Assets	\$ 41,228.8	\$ 18,757.5	\$ 11,143.5	\$ 3,123.8	\$ 5,440.0 (c)	\$ (3,801.3) (b) (d)	\$ 75,892.3
Investments in Equity Method Investees	\$ 41.7	\$ 2.5	\$ 787.5	\$ 459.5	\$ 65.4	\$ —	\$ 1,356.6
Long-term Debt Due Within One Year:							
Affiliated	\$ 20.0	\$ —	\$ —	\$ —	\$ —	\$ (20.0)	\$ —
Nonaffiliated	704.7	392.2	—	—	501.8 (e)	—	1,598.7
Long-term Debt:							
Affiliated	39.0	—	—	—	—	(39.0)	—
Nonaffiliated	<u>12,162.0</u>	<u>6,248.1</u>	<u>3,593.8</u>	<u>—</u>	<u>3,122.9 (e)</u>	<u>—</u>	<u>25,126.8</u>
Total Long-term Debt	\$ 12,925.7	\$ 6,640.3	\$ 3,593.8	\$ —	\$ 3,624.7	\$ (59.0)	\$ 26,725.5

	Vertically Integrated Utilities	Transmission and Distribution Utilities	AEP Transmission Holdco	Generation & Marketing	Corporate and Other (a)	Reconciling Adjustments	Consolidated
	(in millions)						
2018							
Revenues from							
External Customers	\$ 9,556.7	\$ 4,552.3	\$ 248.6	\$ 1,818.1	\$ 20.0	\$ —	\$ 16,195.7
Other Operating Segments	88.8	100.8	555.5	122.2	75.1	(942.4)	—
Total Revenues	\$ 9,645.5	\$ 4,653.1	\$ 804.1	\$ 1,940.3	\$ 95.1	\$ (942.4)	\$ 16,195.7
Asset Impairments and Other Related Charges	\$ 3.4	\$ —	\$ —	\$ 47.7	\$ 19.5	\$ —	\$ 70.6
Depreciation and Amortization	1,316.2	734.1	137.8	41.0	0.4	57.1 (b)	2,286.6
Interest Expense	567.8	248.1	90.7	14.9	122.6	(59.7) (b)	984.4
Income Tax Expense (Benefit)	5.7	42.4	95.3	(49.2)	21.1	—	115.3
Equity Earnings of Unconsolidated Subsidiaries	2.7	—	68.7	0.5	1.2	—	73.1
Net Income (Loss)	\$ 995.5	\$ 527.4	\$ 373.0	\$ 134.7	\$ (99.3)	\$ —	\$ 1,931.3
Gross Property Additions	\$ 2,282.2	\$ 2,162.4	\$ 1,614.1	\$ 289.7	\$ 16.3	\$ (39.2)	\$ 6,325.5
Total Property, Plant and Equipment	\$ 45,365.1	\$ 18,126.7	\$ 8,659.5	\$ 893.3	\$ 395.2	\$ (354.6) (b)	\$ 73,085.2
Accumulated Depreciation and Amortization	13,822.5	3,833.7	282.8	47.0	186.6	(186.5) (b)	17,986.1
Total Property, Plant and Equipment – Net	\$ 31,542.6	\$ 14,293.0	\$ 8,376.7	\$ 846.3	\$ 208.6	\$ (168.1) (b)	\$ 55,099.1
Total Assets	\$ 38,874.3	\$ 17,083.4	\$ 9,543.7	\$ 1,979.7	\$ 4,036.5 (c)	\$ (2,714.8) (b) (d)	\$ 68,802.8
Investments in Equity Method Investees	\$ 39.6	\$ 2.9	\$ 750.9	\$ 26.7	\$ 26.1	\$ —	\$ 846.2
Long-term Debt Due Within One Year:							
Nonaffiliated	\$ 1,066.3	\$ 549.1	\$ 85.0	\$ 0.1	\$ (2.0) (e)	\$ —	\$ 1,698.5
Long-term Debt:							
Affiliated	50.0	—	—	32.2	—	(82.2)	—
Nonaffiliated	11,442.7	5,048.8	2,888.6	(0.3)	2,268.4	—	21,648.2
Total Long-term Debt	\$ 12,559.0	\$ 5,597.9	\$ 2,973.6	\$ 32.0	\$ 2,266.4 (e)	\$ (82.2)	\$ 23,346.7

	Vertically Integrated Utilities	Transmission and Distribution Utilities	AEP Transmission Holdco	Generation & Marketing	Corporate and Other(a)	Reconciling Adjustments	Consolidated
	(in millions)						
2017							
Revenues from							
External Customers	\$ 9,095.1	\$ 4,328.9	\$ 178.4	\$ 1,771.4	\$ 51.1	\$ —	\$ 15,424.9
Other Operating Segments	96.9	90.4	588.3	103.7	69.7	(949.0)	—
Total Revenues	\$ 9,192.0	\$ 4,419.3	\$ 766.7	\$ 1,875.1	\$ 120.8	\$ (949.0)	\$ 15,424.9
Asset Impairments and Other Related Charges	\$ 33.6	\$ —	\$ —	\$ 53.5	\$ —	\$ —	\$ 87.1
Depreciation and Amortization	1,142.5	667.5	102.2	24.2	0.3	60.5 (b)	1,997.2
Interest Expense	540.0	244.1	72.8	18.5	63.9	(44.3) (b)	895.0
Income Tax Expense	425.6	127.2	189.8	189.7	37.4	—	969.7
Equity Earnings (Loss) of Unconsolidated Subsidiaries	\$ (3.8)	\$ —	\$ 88.6	\$ —	\$ (2.4)	\$ —	\$ 82.4
Net Income (Loss)	\$ 803.3	\$ 636.4	\$ 355.6	\$ 166.0	\$ (32.4)	\$ —	\$ 1,928.9
Gross Property Additions	\$ 2,343.2	\$ 1,558.4	\$ 1,542.8	\$ 328.5	\$ 15.6	\$ (90.4)	\$ 5,698.1
Total Assets	\$ 37,579.7	\$ 16,060.7	\$ 8,141.8	\$ 2,009.8	\$ 3,959.1 (c)	\$ (3,022.0) (b) (d)	\$ 64,729.1

- (a) Corporate and Other primarily includes the purchasing of receivables from certain AEP utility subsidiaries. This segment also includes Parent's guarantee revenue received from affiliates, investment income, interest income, interest expense and other nonallocated costs.
- (b) Includes eliminations due to an intercompany finance lease.
- (c) Includes elimination of AEP Parent's investments in wholly-owned subsidiary companies.
- (d) Reconciling Adjustments for Total Assets primarily include elimination of intercompany advances to affiliates and intercompany accounts receivable.
- (e) Amounts reflect the impact of fair value hedge accounting. See "Accounting for Fair Value Hedging Strategies" section of Note 10 for additional information.

Registrant Subsidiaries' Reportable Segments (Applies to all Registrant Subsidiaries except AEPTCo)

The Registrant Subsidiaries each have one reportable segment, an integrated electricity generation, transmission and distribution business for APCo, I&M, PSO and SWEPCo, and an integrated electricity transmission and distribution business for AEP Texas and OPCo. Other activities are insignificant. The Registrant Subsidiaries' operations are managed on an integrated basis because of the substantial impact of cost-based rates and regulatory oversight on the business process, cost structures and operating results.

AEPTCo's Reportable Segments

AEPTCo Parent is the holding company of seven FERC-regulated transmission-only electric utilities. The seven State Transcos have been identified as operating segments of AEPTCo under the accounting guidance for "Segment Reporting." The State Transcos business consists of developing, constructing and operating transmission facilities at the request of the RTOs in which they operate and in replacing and upgrading facilities, assets and components of the existing AEP transmission system as needed to maintain reliability standards and provide service to AEP's wholesale and retail customers. The State Transcos are regulated for rate-making purposes exclusively by the FERC and earn revenues through tariff rates charged for the use of their electric transmission systems.

AEPTCo's Chief Operating Decision Maker makes operating decisions, allocates resources to and assesses performance based on these operating segments. The seven State Transcos operating segments all have similar economic characteristics and meet all of the criteria under the accounting guidance for "Segment Reporting" to be aggregated into one operating segment. As a result, AEPTCo has one reportable segment. The remainder of AEPTCo's activity is presented in AEPTCo Parent. While not considered a reportable segment, AEPTCo Parent represents the activity of the holding company which primarily relates to debt financing activity and general corporate activities.

The tables below present AEPTCo's reportable segment income statement information for the years ended December 31, 2019, 2018 and 2017 and reportable segment balance sheet information as of December 31, 2019 and 2018.

	<u>State Transcos</u>	<u>AEPTCo Parent</u>	<u>Reconciling Adjustments</u>	<u>AEPTCo Consolidated</u>
2019	(in millions)			
Revenues from:				
External Customers	\$ 214.6	\$ —	\$ —	\$ 214.6
Sales to AEP Affiliates	806.7	—	—	806.7
Other Revenues	0.1	—	—	0.1
Total Revenues	<u>\$ 1,021.4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,021.4</u>
Depreciation and Amortization	\$ 176.0	\$ —	\$ —	\$ 176.0
Interest Income	1.3	123.8	(122.1) (a)	3.0
Allowance for Equity Funds Used During Construction	84.3	—	—	84.3
Interest Expense	97.4	122.1	(122.1) (a)	97.4
Income Tax Expense	117.1	0.3	—	117.4
Net Income	<u>\$ 438.6</u>	<u>\$ 1.1 (b)</u>	<u>\$ —</u>	<u>\$ 439.7</u>
Gross Property Additions	\$ 1,419.5	\$ —	\$ —	\$ 1,419.5
Total Transmission Property	\$ 9,893.2	\$ —	\$ —	\$ 9,893.2
Accumulated Depreciation and Amortization	402.3	—	—	402.3
Total Transmission Property - Net	<u>\$ 9,490.9</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 9,490.9</u>
Notes Receivable - Affiliated	\$ —	\$ 3,427.3	\$ (3,427.3) (c)	\$ —
Total Assets	<u>\$ 9,865.0</u>	<u>\$ 3,519.1 (d)</u>	<u>\$ (3,493.3) (e)</u>	<u>\$ 9,890.8</u>
Total Long-Term Debt	<u>\$ 3,465.0</u>	<u>\$ 3,427.3</u>	<u>\$ (3,465.0) (c)</u>	<u>\$ 3,427.3</u>

	State Transcos	AEPTCo Parent	Reconciling Adjustments	AEPTCo Consolidated
2018	(in millions)			
Revenues from:				
External Customers	\$ 177.0	\$ —	\$ —	\$ 177.0
Sales to AEP Affiliates	598.9	—	—	598.9
Other Revenues	0.2	—	—	0.2
Total Revenues	\$ 776.1	\$ —	\$ —	\$ 776.1
Depreciation and Amortization	\$ 133.9	\$ —	\$ —	\$ 133.9
Interest Income	1.3	104.6	(103.4) (a)	2.5
Allowance for Equity Funds Used During Construction	70.6	—	—	70.6
Interest Expense	83.2	103.4	(103.4) (a)	83.2
Income Tax Expense	83.9	0.2	—	84.1
Net Income	\$ 314.9	\$ 1.0 (b)	\$ —	\$ 315.9
Gross Property Additions	\$ 1,570.8	\$ —	\$ —	\$ 1,570.8
Total Transmission Property	\$ 8,268.1	\$ —	\$ —	\$ 8,268.1
Accumulated Depreciation and Amortization	271.9	—	—	271.9
Total Transmission Property - Net	\$ 7,996.2	\$ —	\$ —	\$ 7,996.2
Notes Receivable - Affiliated	\$ —	\$ 2,823.0	\$ (2,823.0) (c)	\$ —
Total Assets	\$ 8,406.8	\$ 2,857.1 (d)	\$ (2,869.8) (e)	\$ 8,394.1
Total Long-Term Debt	\$ 2,850.0	\$ 2,823.0	\$ (2,850.0) (c)	\$ 2,823.0
2017	State Transcos	AEPTCo Parent	Reconciling Adjustments	AEPTCo Consolidated
Revenues from:				
External Customers	\$ 138.0	\$ —	\$ —	\$ 138.0
Sales to AEP Affiliates	568.1	—	—	568.1
Other	0.8	—	—	0.8
Total Revenues	\$ 706.9	\$ —	\$ —	\$ 706.9
Depreciation and Amortization	\$ 95.7	\$ —	\$ —	\$ 95.7
Interest Income	0.7	82.9	(82.4) (a)	1.2
Allowance for Equity Funds Used During Construction	49.0	—	—	49.0
Interest Expense	70.2	82.4	(82.4) (a)	70.2
Income Tax Expense (Benefit)	142.0	0.2	—	142.2

Net Income (Loss)	\$	270.4	\$	0.3	(b)	\$	—	\$	270.7	
Gross Property Additions	\$	1,522.5	\$	—		\$	—	\$	1,522.5	
Total Assets	\$	7,086.9	\$	2,590.1	(d)	\$	(2,594.9)	(e)	\$	7,082.1

- (a) Elimination of intercompany interest income/interest expense on affiliated debt arrangement.
- (b) Includes elimination of AEPTCo Parent's equity earnings in the State Transcos.
- (c) Elimination of intercompany debt.
- (d) Includes elimination of AEPTCo Parent's investments in the State Transcos.
- (e) Primarily relates to elimination of Notes Receivable from the State Transcos.

10. DERIVATIVES AND HEDGING

The disclosures in this note apply to all Registrants unless indicated otherwise. For the periods presented, AEPTCo did not have any derivative and hedging activity.

OBJECTIVES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS

AEPSC is agent for and transacts on behalf of AEP subsidiaries, including the Registrant Subsidiaries. AEPEP is agent for and transacts on behalf of other AEP subsidiaries.

The Registrants are exposed to certain market risks as major power producers and participants in the electricity, capacity, natural gas, coal and emission allowance markets. These risks include commodity price risks which may be subject to capacity risk, interest rate risk and credit risk. These risks represent the risk of loss that may impact the Registrants due to changes in the underlying market prices or rates. Management utilizes derivative instruments to manage these risks.

STRATEGIES FOR UTILIZATION OF DERIVATIVE INSTRUMENTS TO ACHIEVE OBJECTIVES

Risk Management Strategies

The strategy surrounding the use of derivative instruments primarily focuses on managing risk exposures, future cash flows and creating value utilizing both economic and formal hedging strategies. The risk management strategies also include the use of derivative instruments for trading purposes which focus on seizing market opportunities to create value driven by expected changes in the market prices of the commodities. To accomplish these objectives, the Registrants primarily employ risk management contracts including physical and financial forward purchase-and-sale contracts and, to a lesser extent, OTC swaps and options. Not all risk management contracts meet the definition of a derivative under the accounting guidance for "Derivatives and Hedging." Derivative risk management contracts elected normal under the normal purchases and normal sales scope exception are not subject to the requirements of this accounting guidance.

The Registrants utilize power, capacity, coal, natural gas, interest rate and, to a lesser extent, heating oil, gasoline and other commodity contracts to manage the risk associated with the energy business. The Registrants utilize interest rate derivative contracts in order to manage the interest rate exposure associated with the commodity portfolio. For disclosure purposes, such risks are grouped as "Commodity," as these risks are related to energy risk management activities. The Registrants also utilize derivative contracts to manage interest rate risk associated with debt financing. For disclosure purposes, these risks are grouped as "Interest Rate." The amount of risk taken is determined by the Commercial Operations, Energy Supply and Finance groups in accordance with established risk management policies as approved by the Finance Committee of the Board of Directors.

The following tables represent the gross notional volume of the Registrants' outstanding derivative contracts:

**Notional Volume of Derivative Instruments
December 31, 2019**

Primary Risk Exposure	Unit of Measure	AEP	AEP Texas	APCo	I&M	OPCo	PSO	SWEPCo
(in millions)								
Commodity:								
Power	MWhs	365.9	—	61.0	26.8	7.1	14.9	4.4
Natural Gas	MMBtus	40.7	—	—	—	—	—	11.6
Heating Oil and Gasoline	Gallons	6.9	1.8	1.1	0.6	1.4	0.7	0.9
Interest Rate	USD	\$ 140.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest Rate on Long-term Debt	USD	\$ 625.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

December 31, 2018

Primary Risk Exposure	Unit of Measure	AEP	AEP Texas	APCo	I&M	OPCo	PSO	SWEPCo
(in millions)								
Commodity:								
Power	MWhs	371.1	—	66.4	40.9	7.8	15.2	4.5
Natural Gas	MMBtus	87.9	—	4.0	2.3	—	—	15.2
Heating Oil and Gasoline	Gallons	7.4	1.5	1.4	0.7	1.8	0.7	0.8
Interest Rate	USD	\$ 37.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest Rate on Long-term Debt	USD	\$ 500.0	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Fair Value Hedging Strategies (Applies to AEP)

Parent enters into interest rate derivative transactions as part of an overall strategy to manage the mix of fixed-rate and floating-rate debt. Certain interest rate derivative transactions effectively modify exposure to interest rate risk by converting a portion of fixed-rate debt to a floating rate. Provided specific criteria are met, these interest rate derivatives may be designated as fair value hedges.

Cash Flow Hedging Strategies

The Registrants utilize cash flow hedges on certain derivative transactions for the purchase and sale of power ("Commodity") in order to manage the variable price risk related to forecasted purchases and sales. Management monitors the potential impacts of commodity price changes and, where appropriate, enters into derivative transactions to protect profit margins for a portion of future electricity sales and purchases. The Registrants do not hedge all commodity price risk.

The Registrants utilize a variety of interest rate derivative transactions in order to manage interest rate risk exposure. The Registrants also utilize interest rate derivative contracts to manage interest rate exposure related to future borrowings of fixed-rate debt. The Registrants do not hedge all interest rate exposure.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND THE IMPACT ON THE FINANCIAL STATEMENTS

The accounting guidance for “Derivatives and Hedging” requires recognition of all qualifying derivative instruments as either assets or liabilities on the balance sheets at fair value. The fair values of derivative instruments accounted for using MTM accounting or hedge accounting are based on exchange prices and broker quotes. If a quoted market price is not available, the estimate of fair value is based on the best information available including valuation models that estimate future energy prices based on existing market and broker quotes, supply and demand market data and assumptions. In order to determine the relevant fair values of the derivative instruments, the Registrants apply valuation adjustments for discounting, liquidity and credit quality.

Credit risk is the risk that a counterparty will fail to perform on the contract or fail to pay amounts due. Liquidity risk represents the risk that imperfections in the market will cause the price to vary from estimated fair value based upon prevailing market supply and demand conditions. Since energy markets are imperfect and volatile, there are inherent risks related to the underlying assumptions in models used to fair value risk management contracts. Unforeseen events may cause reasonable price curves to differ from actual price curves throughout a contract’s term and at the time a contract settles. Consequently, there could be significant adverse or favorable effects on future net income and cash flows if market prices are not consistent with management’s estimates of current market consensus for forward prices in the current period. This is particularly true for longer term contracts. Cash flows may vary based on market conditions, margin requirements and the timing of settlement of risk management contracts.

According to the accounting guidance for “Derivatives and Hedging,” the Registrants reflect the fair values of derivative instruments subject to netting agreements with the same counterparty net of related cash collateral. For certain risk management contracts, the Registrants are required to post or receive cash collateral based on third-party contractual agreements and risk profiles. AEP netted cash collateral received from third-parties against short-term and long-term risk management assets in the amounts of \$5 million and \$18 million as of December 31, 2019 and 2018, respectively. AEP netted cash collateral paid to third-parties against short-term and long-term risk management liabilities in the amounts of \$39 million and \$4 million as of December 31, 2019 and 2018, respectively. The netted cash collateral from third-parties against short-term and long-term risk management assets and netted cash collateral paid to third-parties against short-term and long-term risk management liabilities were immaterial for the other Registrants as of December 31, 2019 and 2018.

The following tables represent the gross fair value of the Registrants' derivative activity on the balance sheets:

AEP

Fair Value of Derivative Instruments December 31, 2019						
Balance Sheet Location	Risk Management Contracts	Hedging Contracts		Gross Amounts of Risk Management Assets/Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	Commodity (a)	Commodity (a)	Interest Rate (a)			
(in millions)						
Current Risk Management Assets	\$ 513.9	\$ 11.5	\$ 6.5	\$ 531.9	\$ (359.1)	\$ 172.8
Long-term Risk Management Assets	290.8	11.0	12.6	314.4	(47.8)	266.6
Total Assets	804.7	22.5	19.1	846.3	(406.9)	439.4
Current Risk Management Liabilities	424.5	72.3	—	496.8	(382.5)	114.3
Long-term Risk Management Liabilities	244.5	75.7	—	320.2	(58.4)	261.8
Total Liabilities	669.0	148.0	—	817.0	(440.9)	376.1
Total MTM Derivative Contract Net Assets (Liabilities)	\$ 135.7	\$ (125.5)	\$ 19.1	\$ 29.3	\$ 34.0	\$ 63.3
December 31, 2018						
Balance Sheet Location	Risk Management Contracts	Hedging Contracts		Gross Amounts of Risk Management Assets/Liabilities Recognized	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	Commodity (a)	Commodity (a)	Interest Rate (a)			
(in millions)						
Current Risk Management Assets	\$ 397.5	\$ 28.5	\$ —	\$ 426.0	\$ (263.2)	\$ 162.8
Long-term Risk Management Assets	276.4	16.0	—	292.4	(38.4)	254.0
Total Assets	673.9	44.5	—	718.4	(301.6)	416.8
Current Risk Management Liabilities	293.8	13.2	2.0	309.0	(254.0)	55.0
Long-term Risk Management Liabilities	225.7	56.1	15.4	297.2	(33.8)	263.4
Total Liabilities	519.5	69.3	17.4	606.2	(287.8)	318.4
Total MTM Derivative Contract Net Assets (Liabilities)	\$ 154.4	\$ (24.8)	\$ (17.4)	\$ 112.2	\$ (13.8)	\$ 98.4

AEP Texas

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
Total Assets	—	—	—
Current Risk Management Liabilities	—	—	—
Long-term Risk Management Liabilities	—	—	—
Total Liabilities	—	—	—
Total MTM Derivative Contract Net Assets	\$ —	\$ —	\$ —

December 31, 2018

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
Total Assets	—	—	—
Current Risk Management Liabilities	0.7	(0.5)	0.2
Long-term Risk Management Liabilities	—	—	—
Total Liabilities	0.7	(0.5)	0.2
Total MTM Derivative Contract Net Assets (Liabilities)	\$ (0.7)	\$ 0.5	\$ (0.2)

APCo

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 124.4	\$ (85.0)	\$ 39.4
Long-term Risk Management Assets	0.9	(0.8)	0.1
Total Assets	125.3	(85.8)	39.5
Current Risk Management Liabilities	86.2	(84.3)	1.9
Long-term Risk Management Liabilities	0.7	(0.7)	—
Total Liabilities	86.9	(85.0)	1.9

Total MTM Derivative Contract Net Assets (Liabilities)	\$	38.4	\$	(0.8)	\$	37.6
	December 31, 2018					
	Risk Management		Gross Amounts Offset		Net Amounts of Assets/Liabilities	
	Contracts -		in the Statement of		Presented in the Statement	
Balance Sheet Location	Commodity (a)		Financial Position (b)		of Financial Position (c)	
			(in millions)			
Current Risk Management Assets	\$	114.4	\$	(57.2)	\$	57.2
Long-term Risk Management Assets		3.1		(2.2)		0.9
Total Assets		117.5		(59.4)		58.1
Current Risk Management Liabilities		56.7		(56.3)		0.4
Long-term Risk Management Liabilities		2.4		(2.2)		0.2
Total Liabilities		59.1		(58.5)		0.6
Total MTM Derivative Contract Net Assets (Liabilities)	\$	58.4	\$	(0.9)	\$	57.5

I&M

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 66.9	\$ (57.1)	\$ 9.8
Long-term Risk Management Assets	0.5	(0.4)	0.1
Total Assets	67.4	(57.5)	9.9
Current Risk Management Liabilities	55.2	(54.7)	0.5
Long-term Risk Management Liabilities	0.4	(0.4)	—
Total Liabilities	55.6	(55.1)	0.5
Total MTM Derivative Contract Net Assets (Liabilities)	\$ 11.8	\$ (2.4)	\$ 9.4

December 31, 2018

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 50.4	\$ (41.8)	\$ 8.6
Long-term Risk Management Assets	2.0	(1.4)	0.6
Total Assets	52.4	(43.2)	9.2
Current Risk Management Liabilities	41.1	(40.8)	0.3
Long-term Risk Management Liabilities	1.6	(1.5)	0.1
Total Liabilities	42.7	(42.3)	0.4
Total MTM Derivative Contract Net Assets (Liabilities)	\$ 9.7	\$ (0.9)	\$ 8.8

OPCo

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ —	\$ —	\$ —
Long-term Risk Management Assets	—	—	—
Total Assets	—	—	—
Current Risk Management Liabilities	7.3	—	7.3
Long-term Risk Management Liabilities	96.3	—	96.3
Total Liabilities	103.6	—	103.6

Total MTM Derivative Contract Net Liabilities	\$	(103.6)	\$	—	\$	(103.6)
December 31, 2018						
	Risk Management		Gross Amounts Offset		Net Amounts of Assets/Liabilities	
	Contracts -		in the Statement of		Presented in the Statement	
Balance Sheet Location	Commodity (a)		Financial Position (b)		of Financial Position (c)	
			(in millions)			
Current Risk Management Assets	\$	—	\$	—	\$	—
Long-term Risk Management Assets		—		—		—
Total Assets		—		—		—
Current Risk Management Liabilities		6.4		(0.6)		5.8
Long-term Risk Management Liabilities		93.8		—		93.8
Total Liabilities		100.2		(0.6)		99.6
Total MTM Derivative Contract Net Assets (Liabilities)	\$	(100.2)	\$	0.6	\$	(99.6)

PSQ

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 16.3	\$ (0.5)	\$ 15.8
Long-term Risk Management Assets	—	—	—
Total Assets	16.3	(0.5)	15.8
Current Risk Management Liabilities	0.5	(0.5)	—
Long-term Risk Management Liabilities	—	—	—
Total Liabilities	0.5	(0.5)	—
Total MTM Derivative Contract Net Assets	\$ 15.8	\$ —	\$ 15.8

December 31, 2018

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 10.9	\$ (0.5)	\$ 10.4
Long-term Risk Management Assets	—	—	—
Total Assets	10.9	(0.5)	10.4
Current Risk Management Liabilities	1.7	(0.7)	1.0
Long-term Risk Management Liabilities	—	—	—
Total Liabilities	1.7	(0.7)	1.0
Total MTM Derivative Contract Net Assets	\$ 9.2	\$ 0.2	\$ 9.4

SWEPCo

**Fair Value of Derivative Instruments
December 31, 2019**

Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 6.5	\$ (0.1)	\$ 6.4
Long-term Risk Management Assets	—	—	—
Total Assets	6.5	(0.1)	6.4
Current Risk Management Liabilities	2.0	(0.1)	1.9
Long-term Risk Management Liabilities	3.1	—	3.1
Total Liabilities	5.1	(0.1)	5.0

Total MTM Derivative Contract Net Assets	\$ 1.4	\$ —	\$ 1.4
December 31, 2018			
Balance Sheet Location	Risk Management Contracts - Commodity (a)	Gross Amounts Offset in the Statement of Financial Position (b)	Net Amounts of Assets/Liabilities Presented in the Statement of Financial Position (c)
	(in millions)		
Current Risk Management Assets	\$ 5.6	\$ (0.8)	\$ 4.8
Long-term Risk Management Assets	—	—	—
Total Assets	5.6	(0.8)	4.8
Current Risk Management Liabilities	1.5	(1.1)	0.4
Long-term Risk Management Liabilities	2.2	—	2.2
Total Liabilities	3.7	(1.1)	2.6
Total MTM Derivative Contract Net Assets	\$ 1.9	\$ 0.3	\$ 2.2

- (a) Derivative instruments within these categories are reported gross. These instruments are subject to master netting agreements and are presented on the balance sheets on a net basis in accordance with the accounting guidance for "Derivatives and Hedging."
- (b) Amounts include counterparty netting of risk management and hedging contracts and associated cash collateral in accordance with the accounting guidance for "Derivatives and Hedging."
- (c) All derivative contracts subject to a master netting arrangement or similar agreement are offset in the statement of financial position.

The tables below present the Registrants' activity of derivative risk management contracts:

**Amount of Gain (Loss) Recognized on
Risk Management Contracts
Year Ended December 31, 2019**

Location of Gain (Loss)	AEP	AEP Texas	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)						
Vertically Integrated Utilities Revenues	\$ 0.7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Generation & Marketing Revenues	25.1	—	—	—	—	—	—
Electric Generation, Transmission and Distribution Revenues	—	—	0.1	0.5	—	—	0.1
Purchased Electricity for Resale	1.9	—	1.6	0.1	—	—	—
Other Operation	(0.8)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)
Maintenance	(0.8)	(0.2)	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)
Regulatory Assets (a)	(3.7)	0.7	0.3	0.3	(3.7)	1.2	(1.5)
Regulatory Liabilities (a)	102.6	—	2.4	24.5	10.1	34.6	26.6
Total Gain on Risk Management Contracts	\$ 125.0	\$ 0.3	\$ 4.1	\$ 25.2	\$ 6.0	\$ 35.6	\$ 25.0

**Amount of Gain (Loss) Recognized on
Risk Management Contracts
Year Ended December 31, 2018**

Location of Gain (Loss)	AEP	AEP Texas	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)						
Vertically Integrated Utilities Revenues	\$ (10.4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Generation & Marketing Revenues	38.9	—	—	—	—	—	—
Electric Generation, Transmission and Distribution Revenues	—	—	(1.9)	(8.2)	—	—	0.1
Purchased Electricity for Resale	8.6	—	7.6	0.8	—	—	—
Other Operation	1.7	0.4	0.2	0.2	0.3	0.2	0.2
Maintenance	1.9	0.4	0.4	0.2	0.4	0.2	0.2
Regulatory Assets (a)	27.9	(0.7)	(0.7)	7.1	24.9	(1.1)	(1.2)
Regulatory Liabilities (a)	222.7	(0.5)	135.5	11.6	—	37.3	11.9
Total Gain (Loss) on Risk Management Contracts	\$ 291.3	\$ (0.4)	\$ 141.1	\$ 11.7	\$ 25.6	\$ 36.6	\$ 11.2

**Amount of Gain (Loss) Recognized on
Risk Management Contracts
Year Ended December 31, 2017**

Location of Gain (Loss)	AEP	AEP Texas	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)						
Vertically Integrated Utilities Revenues	\$ 6.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Generation & Marketing Revenues	42.8	—	—	—	—	—	—
Electric Generation, Transmission and Distribution Revenues	—	—	0.6	5.3	—	—	0.1
Purchased Electricity for Resale	5.6	—	2.0	0.6	—	—	—
Other Operation	0.8	0.1	0.1	0.1	0.1	0.1	0.1
Maintenance	0.7	0.2	0.1	0.1	0.1	0.1	0.1
Regulatory Assets (a)	(29.4)	—	—	(7.4)	(22.0)	—	0.3

Regulatory Liabilities (a)	<u>109.4</u>	<u>0.1</u>	<u>40.4</u>	<u>15.9</u>	<u>—</u>	<u>24.8</u>	<u>24.3</u>
Total Gain (Loss) on Risk Management Contracts	<u><u>\$ 136.0</u></u>	<u><u>\$ 0.4</u></u>	<u><u>\$ 43.2</u></u>	<u><u>\$ 14.6</u></u>	<u><u>\$ (21.8)</u></u>	<u><u>\$ 25.0</u></u>	<u><u>\$ 24.9</u></u>

(a) Represents realized and unrealized gains and losses subject to regulatory accounting treatment recorded as either current or noncurrent on the balance sheets.

Certain qualifying derivative instruments have been designated as normal purchase or normal sale contracts, as provided in the accounting guidance for “Derivatives and Hedging.” Derivative contracts that have been designated as normal purchases or normal sales under that accounting guidance are not subject to MTM accounting treatment and are recognized on the statements of income on an accrual basis.

The accounting for the changes in the fair value of a derivative instrument depends on whether it qualifies for and has been designated as part of a hedging relationship and further, on the type of hedging relationship. Depending on the exposure, management designates a hedging instrument as a fair value hedge or a cash flow hedge.

For contracts that have not been designated as part of a hedging relationship, the accounting for changes in fair value depends on whether the derivative instrument is held for trading purposes. Unrealized and realized gains and losses on derivative instruments held for trading purposes are included in revenues on a net basis on the statements of income. Unrealized and realized gains and losses on derivative instruments not held for trading purposes are included in revenues or expenses on the statements of income depending on the relevant facts and circumstances. Certain derivatives that economically hedge future commodity risk are recorded in the same expense line item on the statements of income as that of the associated risk. However, unrealized and some realized gains and losses in regulated jurisdictions for both trading and non-trading derivative instruments are recorded as regulatory assets (for losses) or regulatory liabilities (for gains) in accordance with the accounting guidance for “Regulated Operations.”

Accounting for Fair Value Hedging Strategies (Applies to AEP)

For fair value hedges (i.e. hedging the exposure to changes in the fair value of an asset, liability or an identified portion thereof attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting gain or loss on the hedged item associated with the hedged risk impacts net income during the period of change.

AEP records realized and unrealized gains or losses on interest rate swaps that are designated and qualify for fair value hedge accounting treatment and any offsetting changes in the fair value of the debt being hedged in Interest Expense on the statements of income.

The following table shows the impacts recognized on the balance sheets related to the hedged items in fair value hedging relationships:

	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(in millions)			
Long-term Debt (a)	\$ (510.8)	\$ (478.3)	\$ (14.5)	\$ 17.4

(a) Amounts included on the balance sheets within Long-term Debt Due within One Year and Long-term Debt, respectively.

The pretax effects of fair value hedge accounting on income were as follows:

	Twelve Months Ended December 31,		
	2019	2018	2017
	(in millions)		
Gain (Loss) on Interest Rate Contracts:			
Gain (Loss) on Fair Value Hedging Instruments (a)	\$ 31.9	\$ (11.3)	\$ (4.8)
Gain (Loss) on Fair Value Portion of Long-term Debt (a)	(31.9)	11.3	4.8

(a) Gain (Loss) is included in Interest Expense on the statements of income.

Accounting for Cash Flow Hedging Strategies

For cash flow hedges (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the Registrants initially report the gain or loss on the derivative instrument as a component of Accumulated Other Comprehensive Income (Loss) on the balance sheets until the period the hedged item affects net income.

Realized gains and losses on derivative contracts for the purchase and sale of power designated as cash flow hedges are included in Total Revenues or Purchased Electricity for Resale on the statements of income or in Regulatory Assets or Regulatory Liabilities on the balance sheets, depending on the specific nature of the risk being hedged. During the years ended 2019, 2018 and 2017, AEP applied cash flow hedging to outstanding power derivatives. During the years ended 2019, 2018 and 2017, the Registrant Subsidiaries did not apply cash flow hedging to outstanding power derivatives.

The Registrants reclassify gains and losses on interest rate derivative hedges related to debt financings from Accumulated Other Comprehensive Income (Loss) on the balance sheets into Interest Expense on the statements of income in those periods in which hedged interest payments occur. During the years ended 2019, 2018 and 2017, AEP applied cash flow hedging to outstanding interest rate derivatives. During the years ended 2019 and 2017, the Registrant Subsidiaries did not apply cash flow hedging to outstanding interest rate derivatives. During the year ended 2018, SWEPCo applied cash flow hedging to outstanding interest rate derivatives and the other Registrant Subsidiaries did not.

For details on effective cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on the balance sheets and the reasons for changes in cash flow hedges, see Note 3 - Comprehensive Income.

Cash flow hedges included in Accumulated Other Comprehensive Income (Loss) on the balance sheets were:

Impact of Cash Flow Hedges on AEP's Balance Sheets

	December 31, 2019		December 31, 2018	
	Commodity	Interest Rate	Commodity	Interest Rate
	(in millions)			
AOCI Gain (Loss) Net of Tax	\$ (103.5)	\$ (11.5) (a)	\$ (23.0)	\$ (12.6)
Portion Expected to be Reclassified to Net Income During the Next Twelve Months	(51.7)	(2.1)	10.4	(1.1)

(a) Includes \$4 million related to AEP's investment in joint venture wind farms acquired as part of the purchase of Sempra Renewables LLC. See "Sempra Renewables LLC" section of Note 17 for additional information.

As of December 31, 2019 the maximum length of time that AEP is hedging its exposure to variability in future cash flows related to forecasted transactions is 120 months and 132 months for commodity and interest rate hedges, respectively.

Impact of Cash Flow Hedges on the Registrant Subsidiaries' Balance Sheets

Company	December 31, 2019			December 31, 2018		
	Interest Rate					
	Expected to be			Expected to be		
	Reclassified to			Reclassified to		
	Net Income During			Net Income During		
	AOCI Gain (Loss)	the Next	AOCI Gain (Loss)	AOCI Gain (Loss)	the Next	
	Net of Tax	Twelve Months	Net of Tax	Net of Tax	Twelve Months	
(in millions)						
AEP Texas	\$ (3.4)	\$ (1.1)	\$ (4.4)	\$ (1.1)		
APCo	0.9	0.9	1.8	0.9		
I&M	(9.9)	(1.6)	(11.5)	(1.6)		
OPCo	—	—	1.0	1.0		
PSO	1.1	1.0	2.1	1.0		
SWEPCo	(1.8)	(1.5)	(3.3)	(1.5)		

The actual amounts reclassified from Accumulated Other Comprehensive Income (Loss) to Net Income can differ from the estimate above due to market price changes.

Credit Risk

Management mitigates credit risk in wholesale marketing and trading activities by assessing the creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness on an ongoing basis. Management uses credit agency ratings and current market-based qualitative and quantitative data as well as financial statements to assess the financial health of counterparties on an ongoing basis.

Master agreements are typically used to facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Collateral requirements in the form of cash, letters of credit and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. Some master agreements include margining, which requires a counterparty to post cash or letters of credit in the event exposure exceeds the established threshold. The threshold represents an unsecured credit limit which may be supported by a parental/affiliate guaranty, as determined in accordance with AEP's credit policy. In addition, master agreements allow for termination and liquidation of all positions in the event of a default including a failure or inability to post collateral when required.

Collateral Triggering Events

Credit Downgrade Triggers (Applies to AEP, APCo, I&M, PSO and SWEPCo)

A limited number of derivative contracts include collateral triggering events, which include a requirement to maintain certain credit ratings. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these collateral triggering events in contracts. The Registrants have not experienced a downgrade below a specified credit rating threshold that would require the posting of additional collateral. The Registrants had no derivative contracts with collateral triggering events in a net liability position as of December 31, 2019 and 2018.

Cross-Default Triggers (Applies to AEP, APCo, I&M and SWEPCo)

In addition, a majority of non-exchange-traded commodity contracts contain cross-default provisions that, if triggered, would permit the counterparty to declare a default and require settlement of the outstanding payable. These cross-default provisions could be triggered if there was a non-performance event by Parent or the obligor under outstanding debt or a third-party obligation that is \$50 million or greater. On an ongoing basis, AEP's risk management organization assesses the appropriateness of these cross-default provisions in the contracts. The following tables represent: (a) the fair value of these derivative liabilities subject to cross-default provisions prior to consideration of contractual netting arrangements, (b) the amount that the exposure has been reduced by cash collateral posted and (c) if a cross-default provision would have been triggered, the settlement amount that would be required after considering contractual netting arrangements:

	December 31, 2019			
	Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements	Amount of Cash Collateral Posted (in millions)	Additional Settlement Liability if Cross Default Provision is Triggered	
Company				
AEP	\$ 267.3	\$ 3.7	\$ 246.7	
APCo	2.3	—	0.4	
I&M	1.3	—	0.2	
SWEPCo	5.1	—	5.1	

	December 31, 2018			
	Liabilities for Contracts with Cross Default Provisions Prior to Contractual Netting Arrangements	Amount of Cash Collateral Posted (in millions)	Additional Settlement Liability if Cross Default Provision is Triggered	
Company				
AEP	\$ 225.5	\$ 1.8	\$ 181.0	
APCo	0.9	—	—	
I&M	0.5	—	—	
SWEPCo	2.3	—	2.3	

11. FAIR VALUE MEASUREMENTS

The disclosures in this note apply to all Registrants except AEPTCo unless indicated otherwise.

Fair Value Measurements of Long-term Debt (Applies to all Registrants)

The fair values of Long-term Debt are based on quoted market prices, without credit enhancements, for the same or similar issues and the current interest rates offered for instruments with similar maturities classified as Level 2 measurement inputs. These instruments are not marked-to-market. The estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange. The fair value of AEP's Equity Units (Level 1) are valued based on publicly traded securities issued by AEP.

The book values and fair values of Long-term Debt are summarized in the following table:

Company	December 31,			
	2019		2018	
	Book Value	Fair Value	Book Value	Fair Value
	(in millions)			
AEP (a)	\$ 26,725.5	\$ 30,172.0	\$ 23,346.7	\$ 24,093.9
AEP Texas	4,558.4	4,981.5	3,881.3	3,964.6
AEPTCo	3,427.3	3,868.0	2,823.0	2,782.4
APCo	4,363.8	5,253.1	4,062.6	4,473.3
I&M	3,050.2	3,453.8	3,035.4	3,070.2
OPCo	2,082.0	2,554.3	1,716.6	1,919.7
PSO	1,386.2	1,603.3	1,287.0	1,361.9
SWEPCo	2,655.6	2,927.9	2,713.4	2,670.2

- (a) The fair value amount includes debt related to AEP's Equity Units issued in March 2019 and had a fair value of \$871 million as of December 31, 2019. See "Equity Units" section of Note 14 for additional information.

Fair Value Measurements of Other Temporary Investments (Applies to AEP)

Other Temporary Investments include marketable securities that management intends to hold for less than one year and investments by AEP's protected cell of EIS. See "Other Temporary Investments" section of Note 1 for additional information.

The following is a summary of Other Temporary Investments:

Other Temporary Investments	December 31, 2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in millions)			
Restricted Cash and Other Cash Deposits (a)	\$ 214.7	\$ —	\$ —	\$ 214.7
Fixed Income Securities – Mutual Funds (b)	123.2	0.1	—	123.3
Equity Securities – Mutual Funds	29.2	21.3	—	50.5

Total Other Temporary Investments	<u>\$</u>	<u>367.1</u>	<u>\$</u>	<u>21.4</u>	<u>\$</u>	<u>—</u>	<u>\$</u>	<u>388.5</u>
		260						

	December 31, 2018			
		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Other Temporary Investments	Cost			
	(in millions)			
Restricted Cash and Other Cash Deposits (a)	\$ 230.6	\$ —	\$ —	\$ 230.6
Fixed Income Securities – Mutual Funds (b)	106.6	—	(2.3)	104.3
Equity Securities – Mutual Funds	17.8	16.4	—	34.2
Total Other Temporary Investments	\$ 355.0	\$ 16.4	\$ (2.3)	\$ 369.1

(a) Primarily represents amounts held for the repayment of debt.

(b) Primarily short and intermediate maturities which may be sold and do not contain maturity dates.

The following table provides the activity for fixed income and equity securities within Other Temporary Investments:

Years Ended December 31,				
	2019	2018	2017	
	(in millions)			
Proceeds from Investment Sales	\$ 21.2	\$ —	\$ —	
Purchases of Investments	45.0	3.1	14.2	
Gross Realized Gains on Investment Sales	—	—	—	
Gross Realized Losses on Investment Sales	0.4	—	—	

For details of the reasons for changes in Securities Available for Sale included in Accumulated Other Comprehensive Income (Loss) for the years ended December 31, 2018 and 2017, see Note 3 - Comprehensive Income.

Fair Value Measurements of Trust Assets for Decommissioning and SNF Disposal (Applies to AEP and I&M)

Securities held in trust funds for decommissioning nuclear facilities and for the disposal of SNF are recorded at fair value. See “Nuclear Trust Funds” section of Note 1.

The following is a summary of nuclear trust fund investments:

December 31,					
2019			2018		
Fair Value	Gross Unrealized Gains	Other-Than- Temporary Impairments	Fair Value	Gross Unrealized Gains	Other-Than- Temporary Impairments
(in millions)					
Cash and Cash Equivalents	\$ 15.3	\$ —	\$ 22.5	\$ —	\$ —
Fixed Income Securities:					
United States Government	1,112.5	55.5	996.1	26.7	(7.1)
Corporate Debt	72.4	5.3	52.4	1.1	(1.9)
State and Local Government	7.6	0.7	8.6	0.6	(0.2)

Subtotal Fixed Income Securities	1,192.5	61.5	(7.9)	1,057.1	28.4	(9.2)
Equity Securities - Domestic (a)	<u>1,767.9</u>	<u>1,144.4</u>	<u>—</u>	<u>1,395.3</u>	<u>766.3</u>	<u>—</u>
Spent Nuclear Fuel and Decommissioning Trusts	<u>\$ 2,975.7</u>	<u>\$ 1,205.9</u>	<u>\$ (7.9)</u>	<u>\$ 2,474.9</u>	<u>\$ 794.7</u>	<u>\$ (9.2)</u>

- (a) Amount reported as Gross Unrealized Gains includes unrealized gains of \$1.1 billion and \$784 million and unrealized losses of \$5 million and \$18 million as of December 31, 2019 and 2018, respectively. AEP adopted ASU 2016-01 during the first quarter of 2018 by means of a modified retrospective approach. Due to the adoption of the ASU, Other-Than-Temporary Impairments are no longer applicable to Equity Securities with readily determinable fair values.

The following table provides the securities activity within the decommissioning and SNF trusts:

	Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Proceeds from Investment Sales	\$ 1,473.0	\$ 2,010.0	\$ 2,256.3
Purchases of Investments	1,531.0	2,064.7	2,300.5
Gross Realized Gains on Investment Sales	76.5	47.5	200.7
Gross Realized Losses on Investment Sales	24.3	32.8	146.0

The base cost of fixed income securities was \$1.1 billion and \$1 billion as of December 31, 2019 and 2018, respectively. The base cost of equity securities was \$623 million and \$629 million as of December 31, 2019 and 2018, respectively.

The fair value of fixed income securities held in the nuclear trust funds, summarized by contractual maturities, as of December 31, 2019 was as follows:

	Fair Value of Fixed Income Securities	
	(in millions)	
Within 1 year	\$	371.0
After 1 year through 5 years		386.2
After 5 years through 10 years		217.3
After 10 years		218.0
Total	\$	1,192.5

Fair Value Measurements of Financial Assets and Liabilities

For a discussion of fair value accounting and the classification of assets and liabilities within the fair value hierarchy, see the “Fair Value Measurements of Assets and Liabilities” section of Note 1.

The following tables set forth, by level within the fair value hierarchy, the Registrants’ financial assets and liabilities that were accounted for at fair value on a recurring basis. As required by the accounting guidance for “Fair Value Measurements and Disclosures,” financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have not been any significant changes in management’s valuation techniques.

AEP

Assets and Liabilities Measured at Fair Value on a Recurring Basis December 31, 2019

	Level 1	Level 2	Level 3	Other	Total
Assets:	(in millions)				
Other Temporary Investments					
Restricted Cash and Other Cash Deposits (a)	\$ 197.6	\$ —	\$ —	\$ 17.1	\$ 214.7
Fixed Income Securities – Mutual Funds	123.3	—	—	—	123.3
Equity Securities – Mutual Funds (b)	50.5	—	—	—	50.5
Total Other Temporary Investments	371.4	—	—	17.1	388.5
Risk Management Assets					
Risk Management Commodity Contracts (c) (d)	4.0	440.1	369.2	(404.5)	408.8
Cash Flow Hedges:					
Commodity Hedges (c)	—	15.0	3.2	(6.7)	11.5
Interest Rate Hedges	—	4.6	—	—	4.6
Fair Value Hedges	—	14.5	—	—	14.5
Total Risk Management Assets	4.0	474.2	372.4	(411.2)	439.4
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	6.7	—	—	8.6	15.3
Fixed Income Securities:					
United States Government	—	1,112.5	—	—	1,112.5
Corporate Debt	—	72.4	—	—	72.4
State and Local Government	—	7.6	—	—	7.6
Subtotal Fixed Income Securities	—	1,192.5	—	—	1,192.5
Equity Securities – Domestic (b)	1,767.9	—	—	—	1,767.9
Total Spent Nuclear Fuel and Decommissioning Trusts	1,774.6	1,192.5	—	8.6	2,975.7
Total Assets	\$ 2,150.0	\$ 1,666.7	\$ 372.4	\$ (385.5)	\$ 3,803.6

Liabilities:

Risk Management Liabilities										
Risk Management Commodity Contracts (c) (d)	\$	3.8	\$	450.0	\$	224.0	\$	(438.8)	\$	239.0
Cash Flow Hedges:										
Commodity Hedges (c)		—		105.3		38.5		(6.7)		137.1
Total Risk Management Liabilities	\$	3.8	\$	555.3	\$	262.5	\$	(445.5)	\$	376.1

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AEP

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2018**

	Level 1	Level 2	Level 3	Other	Total
Assets:	(in millions)				
Other Temporary Investments					
Restricted Cash and Other Cash Deposits (a)	\$ 221.5	\$ —	\$ —	\$ 9.1	\$ 230.6
Fixed Income Securities – Mutual Funds	104.3	—	—	—	104.3
Equity Securities – Mutual Funds (b)	34.2	—	—	—	34.2
Total Other Temporary Investments	360.0	—	—	9.1	369.1
Risk Management Assets					
Risk Management Commodity Contracts (c) (f)	3.8	326.5	340.9	(288.5)	382.7
Cash Flow Hedges:					
Commodity Hedges (c)	—	24.1	12.7	(2.7)	34.1
Total Risk Management Assets	3.8	350.6	353.6	(291.2)	416.8
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	12.3	—	—	10.2	22.5
Fixed Income Securities:					
United States Government	—	996.1	—	—	996.1
Corporate Debt	—	52.4	—	—	52.4
State and Local Government	—	8.6	—	—	8.6
Subtotal Fixed Income Securities	—	1,057.1	—	—	1,057.1
Equity Securities – Domestic (b)	1,395.3	—	—	—	1,395.3
Total Spent Nuclear Fuel and Decommissioning Trusts	1,407.6	1,057.1	—	10.2	2,474.9
Total Assets	\$ 1,771.4	\$ 1,407.7	\$ 353.6	\$ (271.9)	\$ 3,260.8
Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (f)	\$ 4.2	\$ 327.0	\$ 185.6	\$ (274.7)	\$ 242.1
Cash Flow Hedges:					
Commodity Hedges (c)	—	24.8	36.8	(2.7)	58.9
Fair Value Hedges	—	17.4	—	—	17.4
Total Risk Management Liabilities	\$ 4.2	\$ 369.2	\$ 222.4	\$ (277.4)	\$ 318.4

AEP Texas

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Restricted Cash for Securitized Funding	<u>\$ 154.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 154.7</u>

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Restricted Cash for Securitized Funding	<u>\$ 156.7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 156.7</u>

Liabilities:

Risk Management Liabilities

Risk Management Commodity Contracts (c)	<u>\$ —</u>	<u>\$ 0.7</u>	<u>\$ —</u>	<u>\$ (0.5)</u>	<u>\$ 0.2</u>
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APCo

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Restricted Cash for Securitized Funding	<u>\$ 23.5</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 23.5</u>

Risk Management Assets

Risk Management Commodity Contracts (c) (g)	<u>—</u>	<u>84.6</u>	<u>40.5</u>	<u>(85.6)</u>	<u>39.5</u>
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Total Assets	<u>\$ 23.5</u>	<u>\$ 84.6</u>	<u>\$ 40.5</u>	<u>\$ (85.6)</u>	<u>\$ 63.0</u>
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Liabilities:

Risk Management Liabilities

Risk Management Commodity Contracts (c) (g)	<u>\$ —</u>	<u>\$ 84.0</u>	<u>\$ 2.8</u>	<u>\$ (84.9)</u>	<u>\$ 1.9</u>
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December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Restricted Cash for Securitized Funding	<u>\$ 25.6</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25.6</u>

Risk Management Assets

Risk Management Commodity Contracts (c) (g)	<u>0.1</u>	<u>59.1</u>	<u>58.3</u>	<u>(59.4)</u>	<u>58.1</u>
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Total Assets	\$	25.7	\$	59.1	\$	58.3	\$	(59.4)	\$	83.7
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>

Liabilities:

Risk Management Liabilities										
<u>Risk Management Commodity Contracts (c) (g)</u>	\$	0.2	\$	58.4	\$	0.5	\$	(58.5)	\$	0.6
		<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>

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I&M

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ 59.5	\$ 8.0	\$ (57.6)	\$ 9.9
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	6.7	—	—	8.6	15.3
Fixed Income Securities:					
United States Government	—	1,112.5	—	—	1,112.5
Corporate Debt	—	72.4	—	—	72.4
State and Local Government	—	7.6	—	—	7.6
Subtotal Fixed Income Securities	—	1,192.5	—	—	1,192.5
Equity Securities - Domestic (b)	1,767.9	—	—	—	1,767.9
Total Spent Nuclear Fuel and Decommissioning Trusts	1,774.6	1,192.5	—	8.6	2,975.7
Total Assets	\$ 1,774.6	\$ 1,252.0	\$ 8.0	\$ (49.0)	\$ 2,985.6

Liabilities:

Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ 53.4	\$ 2.2	\$ (55.1)	\$ 0.5

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ 42.1	\$ 10.3	\$ (43.2)	\$ 9.2
Spent Nuclear Fuel and Decommissioning Trusts					
Cash and Cash Equivalents (e)	12.3	—	—	10.2	22.5
Fixed Income Securities:					
United States Government	—	996.1	—	—	996.1
Corporate Debt	—	52.4	—	—	52.4
State and Local Government	—	8.6	—	—	8.6
Subtotal Fixed Income Securities	—	1,057.1	—	—	1,057.1
Equity Securities - Domestic (b)	1,395.3	—	—	—	1,395.3
Total Spent Nuclear Fuel and Decommissioning Trusts	1,407.6	1,057.1	—	10.2	2,474.9

Total Assets	<u>\$ 1,407.6</u>	<u>\$ 1,099.2</u>	<u>\$ 10.3</u>	<u>\$ (33.0)</u>	<u>\$ 2,484.1</u>
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Liabilities:

<u>Risk Management Liabilities</u>					
Risk Management Commodity Contracts (c) (g)	<u>\$ 0.1</u>	<u>\$ 41.2</u>	<u>\$ 1.4</u>	<u>\$ (42.3)</u>	<u>\$ 0.4</u>

OPCo

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	Level 1	Level 2	Level 3	Other	Total
Liabilities:	(in millions)				
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 103.6	\$ —	\$ 103.6

December 31, 2018

	Level 1	Level 2	Level 3	Other	Total
Assets:	(in millions)				
Restricted Cash for Securitized Funding	\$ 27.6	\$ —	\$ —	\$ —	\$ 27.6

Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ 0.8	\$ 99.4	\$ (0.6)	\$ 99.6

PSO

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	Level 1	Level 2	Level 3	Other	Total
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 16.3	\$ (0.5)	\$ 15.8

Liabilities:					
Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 0.5	\$ (0.5)	\$ —

December 31, 2018

	Level 1	Level 2	Level 3	Other	Total
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 10.8	\$ (0.4)	\$ 10.4

Liabilities:

Risk Management Liabilities										
Risk Management Commodity Contracts (c) (g)	\$	—	\$	0.3	\$	1.3	\$	(0.6)	\$	1.0

SWEPCo

**Assets and Liabilities Measured at Fair Value on a Recurring Basis
December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 6.5	\$ (0.1)	\$ 6.4

Liabilities:

Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 5.1	\$ (0.1)	\$ 5.0

December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other</u>	<u>Total</u>
Assets:	(in millions)				
Risk Management Assets					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ —	\$ 5.6	\$ (0.8)	\$ 4.8

Liabilities:

Risk Management Liabilities					
Risk Management Commodity Contracts (c) (g)	\$ —	\$ 0.4	\$ 3.3	\$ (1.1)	\$ 2.6

- (a) Amounts in "Other" column primarily represent cash deposits in bank accounts with financial institutions or third-parties. Level 1 and Level 2 amounts primarily represent investments in money market funds.
- (b) Amounts represent publicly traded equity securities and equity-based mutual funds.
- (c) Amounts in "Other" column primarily represent counterparty netting of risk management and hedging contracts and associated cash collateral under the accounting guidance for "Derivatives and Hedging."
- (d) The December 31, 2019 maturity of the net fair value of risk management contracts prior to cash collateral, assets/(liabilities), is as follows: Level 2 matures \$(7) million in 2020 and \$(3) million in periods 2021-2023; Level 3 matures \$96 million in 2020, \$36 million in periods 2021-2023, \$25 million in periods 2024-2025 and \$(12) million in periods 2026-2032. Risk management commodity contracts are substantially comprised of power contracts.
- (e) Amounts in "Other" column primarily represent accrued interest receivables from financial institutions. Level 1 amounts primarily represent investments in money market funds.
- (f) The December 31, 2018 maturity of the net fair value of risk management contracts prior to cash collateral, assets/(liabilities), is as follows: Level 2 matures \$(4) million in 2019, \$1 million in periods 2020-2022, \$1 million in periods 2023-2024 and \$1 million in periods 2025-2032; Level 3 matures \$108 million in 2019, \$37 million in periods 2020-2022, \$23 million in periods 2023-2024 and \$(12) million in periods 2025-2032. Risk management commodity contracts are substantially comprised of power contracts.
- (g) Substantially comprised of power contracts for the Registrant Subsidiaries.

The following tables set forth a reconciliation of changes in the fair value of net trading derivatives classified as Level 3 in the fair value hierarchy:

Year Ended December 31, 2019	AEP	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)					
Balance as of December 31, 2018	\$ 131.2	\$ 57.8	\$ 8.9	\$ (99.4)	\$ 9.5	\$ 2.3
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	15.8	(13.9)	4.7	(0.9)	13.5	6.0
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	(0.1)	—	—	—	—	—
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income (c)	(15.1)	—	—	—	—	—
Settlements	(117.6)	(42.5)	(13.0)	6.6	(23.0)	(9.6)
Transfers into Level 3 (d) (e)	(0.6)	(0.5)	(0.3)	—	—	—
Transfers out of Level 3 (e)	35.6	(0.7)	(0.4)	—	—	—
Changes in Fair Value Allocated to Regulated Jurisdictions (f)	60.7	37.5	5.9	(9.9)	15.8	2.7
Balance as of December 31, 2019	<u>\$ 109.9</u>	<u>\$ 37.7</u>	<u>\$ 5.8</u>	<u>\$ (103.6)</u>	<u>\$ 15.8</u>	<u>\$ 1.4</u>
Year Ended December 31, 2018	AEP	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)					
Balance as of December 31, 2017	\$ 40.3	\$ 24.7	\$ 7.6	\$ (132.4)	\$ 6.2	\$ 5.9
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	148.9	104.1	14.2	1.8	18.1	(4.8)
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	9.8	—	—	—	—	—
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income (c)	15.7	—	—	—	—	—
Settlements	(214.0)	(127.9)	(21.3)	4.6	(24.3)	(2.1)
Transfers into Level 3 (d) (e)	15.8	—	—	—	—	—
Transfers out of Level 3 (e)	(1.6)	—	(0.3)	—	—	—
Changes in Fair Value Allocated to Regulated Jurisdictions (f)	116.3	56.9	8.7	26.6	9.5	3.3
Balance as of December 31, 2018	<u>\$ 131.2</u>	<u>\$ 57.8</u>	<u>\$ 8.9</u>	<u>\$ (99.4)</u>	<u>\$ 9.5</u>	<u>\$ 2.3</u>
Year Ended December 31, 2017	AEP	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)					
Balance as of December 31, 2016	\$ 2.5	\$ 1.4	\$ 2.8	\$ (119.0)	\$ 0.7	\$ 0.7
Realized Gain (Loss) Included in Net Income (or Changes in Net Assets) (a) (b)	37.3	17.2	4.0	(1.4)	3.1	6.0
Unrealized Gain (Loss) Included in Net Income (or Changes in Net Assets) Relating to Assets Still Held at the Reporting Date (a)	33.6	—	—	—	—	—
Realized and Unrealized Gains (Losses) Included in Other Comprehensive Income (c)	(18.8)	—	—	—	—	—

Settlements	(50.6)	(18.9)	(7.1)	7.4	(3.8)	(6.8)
Transfers into Level 3 (d) (e)	16.2	—	—	—	—	—
Transfers out of Level 3 (e)	(10.1)	—	—	—	—	—
Changes in Fair Value Allocated to Regulated Jurisdictions (f)	30.2	25.0	7.9	(19.4)	6.2	6.0
Balance as of December 31, 2017	\$ 40.3	\$ 24.7	\$ 7.6	\$ (132.4)	\$ 6.2	\$ 5.9

- (a) Included in revenues on the statements of income.
- (b) Represents the change in fair value between the beginning of the reporting period and the settlement of the risk management commodity contract.
- (c) Included in cash flow hedges on the statements of comprehensive income.
- (d) Represents existing assets or liabilities that were previously categorized as Level 2.
- (e) Transfers are recognized based on their value at the beginning of the reporting period that the transfer occurred.
- (f) Relates to the net gains (losses) of those contracts that are not reflected on the statements of income. These net gains (losses) are recorded as regulatory assets/liabilities or accounts payable.

The following tables quantify the significant unobservable inputs used in developing the fair value of Level 3 positions:

**Significant Unobservable Inputs
December 31, 2019**

AEP

	Fair Value		Valuation Technique	Significant Unobservable Input	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
	(in millions)						
Energy Contracts	\$ 296.7	\$ 249.3	Discounted Cash Flow	Forward Market Price (a)	\$ (0.05)	\$ 177.30	\$ 31.31
Natural Gas Contracts	—	4.9	Discounted Cash Flow	Forward Market Price (b)	1.89	2.51	2.19
FTRs	75.7	8.3	Discounted Cash Flow	Forward Market Price (a)	(8.52)	9.34	0.42
Total	<u>\$ 372.4</u>	<u>\$ 262.5</u>					

December 31, 2018

	Fair Value		Valuation Technique	Significant Unobservable Input	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
	(in millions)						
Energy Contracts	\$ 257.1	\$ 212.5	Discounted Cash Flow	Forward Market Price (a)	\$ (0.05)	\$ 176.57	\$ 33.07
Natural Gas Contracts	—	2.5	Discounted Cash Flow	Forward Market Price (b)	2.18	3.54	2.47
FTRs	96.5	7.4	Discounted Cash Flow	Forward Market Price (a)	(11.68)	17.79	1.09
Total	<u>\$ 353.6</u>	<u>\$ 222.4</u>					

APCo

**Significant Unobservable Inputs
December 31, 2019**

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
	(in millions)						
Energy Contracts	\$ 5.7	\$ 2.6	Discounted Cash Flow	Forward Market Price	\$ 12.70	\$ 41.20	\$ 25.92
FTRs	34.8	0.2	Discounted Cash Flow	Forward Market Price	(0.14)	7.08	1.70
Total	\$ 40.5	\$ 2.8					

December 31, 2018

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
	(in millions)						
Energy Contracts	\$ 2.4	\$ 0.5	Discounted Cash Flow	Forward Market Price	\$ 16.82	\$ 62.65	\$ 37.00
FTRs	55.9	—	Discounted Cash Flow	Forward Market Price	0.10	15.16	3.27
Total	\$ 58.3	\$ 0.5					

I&M

**Significant Unobservable Inputs
December 31, 2019**

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
	(in millions)						
Energy Contracts	\$ 3.4	\$ 1.5	Discounted Cash Flow	Forward Market Price	\$ 12.70	\$ 41.20	\$ 25.92
FTRs	4.6	0.7	Discounted Cash Flow	Forward Market Price	(0.75)	4.07	0.74
Total	\$ 8.0	\$ 2.2					

December 31, 2018

Significant

Input/Range

	Fair Value		Valuation Technique	Unobservable Input (a)	Low	High	Weighted Average (c)
	Assets	Liabilities					
	(in millions)						
Energy Contracts	\$ 1.4	\$ 0.9	Discounted Cash Flow	Forward Market Price	\$ 16.82	\$ 62.65	\$ 37.00
FTRs	8.9	0.5	Discounted Cash Flow	Forward Market Price	(2.11)	6.21	1.06
Total	\$ 10.3	\$ 1.4					

OPCo

**Significant Unobservable Inputs
December 31, 2019**

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
(in millions)							
Energy Contracts	\$ —	\$ 103.6	Discounted Cash Flow	Forward Market Price	\$ 29.23	\$ 61.43	\$ 42.46

December 31, 2018

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
(in millions)							
Energy Contracts	\$ —	\$ 99.4	Discounted Cash Flow	Forward Market Price	\$ 26.29	\$ 62.74	\$ 42.50

PSO

**Significant Unobservable Inputs
December 31, 2019**

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range							
	Assets	Liabilities			Low	High	Weighted Average (c)					
(in millions)												
FTRs	\$	16.3	\$	0.5	Discounted Cash Flow	Forward Market Price	\$	(8.52)	\$	0.85	\$	(2.31)

December 31, 2018

	Fair Value		Valuation Technique	Significant Unobservable Input (a)	Input/Range		
	Assets	Liabilities			Low	High	Weighted Average (c)
(in millions)							
FTRs	\$ 10.8	\$ 1.3	Discounted Cash Flow	Forward Market Price	\$ (11.68)	\$ 10.30	\$ (1.40)

SWEPCo

**Significant Unobservable Inputs
December 31, 2019**

	Fair Value		Valuation Technique	Significant Unobservable Input	Input/Range		Weighted Average (c)
	Assets	Liabilities			Low	High	
	(in millions)						
Natural Gas Contracts	\$ —	\$ 4.9	Discounted Cash Flow	Forward Market Price (b)	\$ 1.89	\$ 2.51	\$ 2.18
FTRs	6.5	0.2	Discounted Cash Flow	Forward Market Price (a)	(8.52)	0.85	(2.31)
Total	\$ 6.5	\$ 5.1					

December 31, 2018

	Fair Value		Valuation Technique	Significant Unobservable Input	Input/Range		Weighted Average (c)
	Assets	Liabilities			Low	High	
	(in millions)						
Natural Gas Contracts	\$ —	\$ 2.5	Discounted Cash Flow	Forward Market Price (b)	\$ 2.18	\$ 3.54	\$ 2.47
FTRs	5.6	0.8	Discounted Cash Flow	Forward Market Price (a)	(11.68)	10.30	(1.40)
Total	\$ 5.6	\$ 3.3					

(a) Represents market prices in dollars per MWh.

(b) Represents market prices in dollars per MMBtu.

(c) The weighted average is the product of the forward market price of the underlying commodity and volume weighted by term.

The following table provides the measurement uncertainty of fair value measurements to increases (decreases) in significant unobservable inputs related to Energy Contracts, Natural Gas Contracts and FTRs for the Registrants as of December 31, 2019 and 2018:

Uncertainty of Fair Value Measurements

Significant Unobservable Input	Position	Change in Input	Impact on Fair Value Measurement
Forward Market Price	Buy	Increase (Decrease)	Higher (Lower)
Forward Market Price	Sell	Increase (Decrease)	Lower (Higher)

12. INCOME TAXES

The disclosures in this note apply to all Registrants unless indicated otherwise.

Income Tax Expense (Benefit)

The details of the Registrants' Income Tax Expense (Benefit) as reported are as follows:

Year Ended December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Federal:								
Current	\$ (7.4)	\$ (31.8)	\$ 23.7	\$ 36.7	\$ 48.1	\$ (10.0)	\$ 25.5	\$ 6.9
Deferred	(77.1)	(23.5)	71.7	(125.6)	(53.5)	40.6	(23.6)	(8.6)
Deferred Investment Tax Credits	5.5	(1.2)	—	(0.5)	(3.6)	—	(2.4)	(1.4)
Total Federal	<u>(79.0)</u>	<u>(56.5)</u>	<u>95.4</u>	<u>(89.4)</u>	<u>(9.0)</u>	<u>30.6</u>	<u>(0.5)</u>	<u>(3.1)</u>
State and Local:								
Current	4.4	2.9	2.4	12.0	(2.4)	1.1	0.2	0.8
Deferred	59.3	—	19.6	(0.6)	0.8	3.2	5.4	(2.4)
Deferred Investment Tax Credits	2.4	—	—	—	—	—	2.4	—
Total State and Local	<u>66.1</u>	<u>2.9</u>	<u>22.0</u>	<u>11.4</u>	<u>(1.6)</u>	<u>4.3</u>	<u>8.0</u>	<u>(1.6)</u>
Income Tax Expense (Benefit)	<u>\$ (12.9)</u>	<u>\$ (53.6)</u>	<u>\$ 117.4</u>	<u>\$ (78.0)</u>	<u>\$ (10.6)</u>	<u>\$ 34.9</u>	<u>\$ 7.5</u>	<u>\$ (4.7)</u>
Year Ended December 31, 2018	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Federal:								
Current	\$ (31.7)	\$ 37.0	\$ (14.2)	\$ (31.9)	\$ 60.9	\$ 55.6	\$ 35.6	\$ 18.3
Deferred	112.8	(16.4)	82.3	(24.6)	(44.1)	(36.9)	(34.7)	(0.5)
Deferred Investment Tax Credits	9.2	(1.5)	—	0.1	(4.7)	—	(2.0)	(1.4)
Total Federal	<u>90.3</u>	<u>19.1</u>	<u>68.1</u>	<u>(56.4)</u>	<u>12.1</u>	<u>18.7</u>	<u>(1.1)</u>	<u>16.4</u>
State and Local:								
Current	30.8	1.8	(0.6)	3.7	15.8	4.6	(0.2)	2.3
Deferred	(8.5)	(0.1)	16.6	7.8	1.2	0.7	3.6	1.7
Deferred Investment Tax Credits	2.7	—	—	—	—	—	2.7	—
Total State and Local	<u>25.0</u>	<u>1.7</u>	<u>16.0</u>	<u>11.5</u>	<u>17.0</u>	<u>5.3</u>	<u>6.1</u>	<u>4.0</u>
Income Tax Expense (Benefit)	<u>\$ 115.3</u>	<u>\$ 20.8</u>	<u>\$ 84.1</u>	<u>\$ (44.9)</u>	<u>\$ 29.1</u>	<u>\$ 24.0</u>	<u>\$ 5.0</u>	<u>\$ 20.4</u>
Year Ended December 31, 2017	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo

(in millions)

Federal:

Current	\$ (4.0)	\$ (85.7)	\$ (130.4)	\$ 15.3	\$ (106.5)	\$ 11.2	\$ (77.1)	\$ (30.1)
Deferred	856.6	63.3	254.8	166.9	202.1	141.3	122.7	84.8
Deferred Investment Tax Credits	48.6	(1.6)	—	(0.1)	(4.7)	—	(1.6)	(1.4)
Total Federal	<u>901.2</u>	<u>(24.0)</u>	<u>124.4</u>	<u>182.1</u>	<u>90.9</u>	<u>152.5</u>	<u>44.0</u>	<u>53.3</u>
State and Local:								
Current	16.0	0.6	1.1	(1.4)	(8.1)	0.2	(0.2)	(0.9)
Deferred	44.9	—	16.7	4.6	(1.4)	6.6	2.0	(4.3)
Deferred Investment Tax Credits	7.6	—	—	—	—	—	4.3	—
Total State and Local	<u>68.5</u>	<u>0.6</u>	<u>17.8</u>	<u>3.2</u>	<u>(9.5)</u>	<u>6.8</u>	<u>6.1</u>	<u>(5.2)</u>
Income Tax Expense (Benefit)	<u>\$ 969.7</u>	<u>\$ (23.4)</u>	<u>\$ 142.2</u>	<u>\$ 185.3</u>	<u>\$ 81.4</u>	<u>\$ 159.3</u>	<u>\$ 50.1</u>	<u>\$ 48.1</u>

The following are reconciliations for the Registrants between the federal income taxes computed by multiplying pretax income by the federal statutory tax rate and the income taxes reported:

AEP

	Years Ended December 31,		
	2019	2018	2017
		(in millions)	
Net Income	\$ 1,919.8	\$ 1,931.3	\$ 1,928.9
Less: Equity Earnings – Dolet Hills	(3.0)	(2.7)	—
Income Tax Expense (Benefit)	(12.9)	115.3	969.7
Pretax Income	\$ 1,903.9	\$ 2,043.9	\$ 2,898.6
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 399.8	\$ 429.2	\$ 1,014.5
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	23.1	24.4	60.2
Investment Tax Credit Amortization	(13.0)	(20.2)	(18.8)
Production Tax Credits	(59.0)	(10.3)	—
State and Local Income Taxes, Net	52.2	19.7	54.7
Removal Costs	(20.7)	(19.8)	(32.7)
AFUDC	(37.1)	(29.4)	(37.4)
Valuation Allowance	—	—	(1.8)
Tax Reform Adjustments	—	(10.9)	(26.7)
Tax Adjustments	—	—	(35.8)
Tax Reform Excess ADIT Reversal	(353.2)	(257.2)	—
Other	(5.0)	(10.2)	(6.5)
Income Tax Expense (Benefit)	\$ (12.9)	\$ 115.3	\$ 969.7
Effective Income Tax Rate	(0.7) %	5.6 %	33.5 %

AEP Texas

	Years Ended December 31,		
	2019	2018	2017
		(in millions)	
Net Income	\$ 178.3	\$ 211.3	\$ 310.5
Income Tax Expense (Benefit)	(53.6)	20.8	(23.4)
Pretax Income	\$ 124.7	\$ 232.1	\$ 287.1
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 26.2	\$ 48.7	\$ 100.5
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	1.0	1.4	(0.5)
Investment Tax Credit Amortization	(1.2)	(2.3)	(1.5)
State and Local Income Taxes, Net	2.3	1.3	0.4
AFUDC	(3.2)	(4.2)	(3.9)
Parent Company Loss Benefit	(4.6)	(3.1)	—

Tax Reform Adjustments	—	(11.0)	(117.4)
Tax Adjustments	—	—	(4.2)
Tax Reform Excess ADIT Reversal	(73.4)	(11.8)	—
Other	(0.7)	1.8	3.2
Income Tax Expense (Benefit)	<u>\$ (53.6)</u>	<u>\$ 20.8</u>	<u>\$ (23.4)</u>
Effective Income Tax Rate	(43.0) %	9.0 %	(8.2) %

AEPTCo

Years Ended December 31,

	2019	2018	2017
		(in millions)	
Net Income	\$ 439.7	\$ 315.9	\$ 270.7
Income Tax Expense	117.4	84.1	142.2
Pretax Income	\$ 557.1	\$ 400.0	\$ 412.9
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 117.0	\$ 84.0	\$ 144.5
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
AFUDC	(17.7)	(14.1)	(17.0)
State and Local Income Taxes, Net	17.4	12.6	13.1
Tax Reform Adjustments	—	—	0.6
Other	0.7	1.6	1.0
Income Tax Expense	\$ 117.4	\$ 84.1	\$ 142.2
Effective Income Tax Rate	21.1 %	21.0 %	34.4 %

APCo

Years Ended December 31,

	2019	2018	2017
		(in millions)	
Net Income	\$ 306.3	\$ 367.8	\$ 331.3
Income Tax Expense (Benefit)	(78.0)	(44.9)	185.3
Pretax Income	\$ 228.3	\$ 322.9	\$ 516.6
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 47.9	\$ 67.8	\$ 180.8
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	11.7	8.5	18.0
State and Local Income Taxes, Net	9.0	9.1	3.5
Removal Costs	(6.1)	(9.6)	(12.4)
AFUDC	(5.2)	(4.3)	(5.0)
Parent Company Loss Benefit	(3.8)	(3.4)	(0.2)
Tax Reform Adjustments	—	0.1	4.3
Tax Reform Excess ADIT Reversal	(130.4)	(108.5)	—
Other	(1.1)	(4.6)	(3.7)
Income Tax Expense (Benefit)	\$ (78.0)	\$ (44.9)	\$ 185.3
Effective Income Tax Rate	(34.2) %	(13.9) %	35.9 %

I&M

Years Ended December 31,

	2019	2018	2017
		(in millions)	
Net Income	\$ 269.4	\$ 261.3	\$ 186.7
Income Tax Expense (Benefit)	(10.6)	29.1	81.4
Pretax Income	\$ 258.8	\$ 290.4	\$ 268.1
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 54.3	\$ 61.0	\$ 93.8
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	6.3	(0.7)	11.4
Investment Tax Credit Amortization	(3.6)	(4.7)	(4.7)
State and Local Income Taxes, Net	(1.2)	13.4	(1.0)
Removal Costs	(11.5)	(8.0)	(13.3)
AFUDC	(4.1)	(2.5)	(5.6)
Parent Company Loss Benefit	(4.8)	(2.3)	—
Tax Adjustments	—	—	2.7
Tax Reform Adjustments	—	—	(2.9)
Tax Reform Excess ADIT Reversal	(42.5)	(25.8)	—
Other	(3.5)	(1.3)	1.0
Income Tax Expense (Benefit)	\$ (10.6)	\$ 29.1	\$ 81.4
Effective Income Tax Rate	(4.1) %	10.0 %	30.4 %

OPCo

Years Ended December 31,

	2019	2018	2017
		(in millions)	
Net Income	\$ 297.1	\$ 325.5	\$ 323.9
Income Tax Expense	34.9	24.0	159.3
Pretax Income	\$ 332.0	\$ 349.5	\$ 483.2
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 69.7	\$ 73.4	\$ 169.1
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	(1.7)	2.6	7.6
State and Local Income Taxes, Net	3.4	4.2	4.4
AFUDC	(3.8)	(2.1)	(2.2)
Tax Reform Adjustments	—	—	(14.4)
Tax Reform Excess ADIT Reversal	(27.3)	(51.0)	—
Parent Company Loss Benefit	(4.9)	(5.5)	(0.2)
Other	(0.5)	2.4	(5.0)
Income Tax Expense	\$ 34.9	\$ 24.0	\$ 159.3

Effective Income Tax Rate	10.5 %	6.9 %	33.0 %
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PSO

	Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Net Income	\$ 137.6	\$ 83.2	\$ 72.0
Income Tax Expense	7.5	5.0	50.1
Pretax Income	\$ 145.1	\$ 88.2	\$ 122.1
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 30.5	\$ 18.5	\$ 42.7
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	0.5	1.0	0.3
Investment Tax Credit Amortization	(0.5)	(1.7)	(1.6)
Parent Company Loss Benefit	(2.5)	(1.4)	—
State and Local Income Taxes, Net	6.3	4.8	4.0
Tax Reform Adjustments	—	—	2.8
Tax Reform Excess ADIT Reversal	(24.5)	(15.5)	—
Other	(2.3)	(0.7)	1.9
Income Tax Expense	\$ 7.5	\$ 5.0	\$ 50.1
Effective Income Tax Rate	5.2 %	5.7 %	41.0 %

SWEPCo

	Years Ended December 31,		
	2019	2018	2017
	(in millions)		
Net Income	\$ 162.2	\$ 152.2	\$ 137.5
Less: Equity Earnings – Dolet Hills	(3.0)	(2.7)	—
Income Tax Expense (Benefit)	(4.7)	20.4	48.1
Pretax Income	\$ 154.5	\$ 169.9	\$ 185.6
Income Taxes on Pretax Income at Statutory Rate (21%, 21% and 35% in 2019, 2018 and 2017, Respectively)	\$ 32.4	\$ 35.7	\$ 65.0
Increase (Decrease) in Income Taxes Resulting from the Following Items:			
Depreciation	1.9	3.4	1.9
Depletion	(3.6)	(3.2)	(5.7)
State and Local Income Taxes, Net	(1.3)	3.2	(2.3)
AFUDC	(1.4)	(1.3)	(0.9)
Tax Adjustments	—	—	(9.9)
Tax Reform Adjustments	—	—	(0.4)
Tax Reform Excess ADIT Reversal	(29.9)	(16.0)	—
Other	(2.8)	(1.4)	0.4
Income Tax Expense (Benefit)	\$ (4.7)	\$ 20.4	\$ 48.1

Effective Income Tax Rate	(3.0) %	12.0 %	25.9 %
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Net Deferred Tax Liability

The following tables show elements of the net deferred tax liability and significant temporary differences for each Registrant:

AEP

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 3,246.1	\$ 2,750.8
Deferred Tax Liabilities	(10,834.3)	(9,837.3)
Net Deferred Tax Liabilities	\$ (7,588.2)	\$ (7,086.5)
Property Related Temporary Differences	\$ (6,602.9)	\$ (6,224.8)
Amounts Due to Customers for Future Income Taxes	1,173.5	1,329.7
Deferred State Income Taxes	(1,112.4)	(1,072.5)
Securitized Assets	(178.7)	(186.6)
Regulatory Assets	(371.1)	(454.1)
Accrued Nuclear Decommissioning	(557.4)	(453.7)
Net Operating Loss Carryforward	77.6	78.3
Tax Credit Carryforward	247.2	113.7
Operating Lease Liability	182.6	—
Investment in Partnership	(446.6)	(300.5)
All Other, Net	—	84.0
Net Deferred Tax Liabilities	\$ (7,588.2)	\$ (7,086.5)

AEP Texas

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 220.0	\$ 208.1
Deferred Tax Liabilities	(1,185.4)	(1,121.2)
Net Deferred Tax Liabilities	\$ (965.4)	\$ (913.1)
Property Related Temporary Differences	\$ (973.5)	\$ (836.3)
Amounts Due to Customers for Future Income Taxes	126.7	141.2
Deferred State Income Taxes	(27.5)	(27.7)
Regulatory Assets	(51.2)	(53.9)
Securitized Transition Assets	(124.3)	(134.7)
Deferred Revenues	19.9	4.6
Operating Lease Liability	17.2	—
All Other, Net	47.3	(6.3)
Net Deferred Tax Liabilities	\$ (965.4)	\$ (913.1)

AEPTCo

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 162.9	\$ 142.9
Deferred Tax Liabilities	(980.7)	(847.3)
Net Deferred Tax Liabilities	\$ (817.8)	\$ (704.4)
Property Related Temporary Differences	\$ (847.1)	\$ (755.0)
Amounts Due to Customers for Future Income Taxes	119.9	121.3
Deferred State Income Taxes	(86.1)	(71.6)
Net Operating Loss Carryforward	12.3	13.4
All Other, Net	(16.8)	(12.5)
Net Deferred Tax Liabilities	\$ (817.8)	\$ (704.4)

APCo

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 486.2	\$ 475.2
Deferred Tax Liabilities	(2,167.0)	(2,101.0)
Net Deferred Tax Liabilities	\$ (1,680.8)	\$ (1,625.8)
Property Related Temporary Differences	\$ (1,420.0)	\$ (1,393.6)
Amounts Due to Customers for Future Income Taxes	222.8	268.0
Deferred State Income Taxes	(320.9)	(324.1)
Regulatory Assets	(71.0)	(73.8)
Securitized Assets	(49.3)	(54.3)
Operating Lease Liability	16.5	—
All Other, Net	(58.9)	(48.0)
Net Deferred Tax Liabilities	\$ (1,680.8)	\$ (1,625.8)

I&M

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 970.5	\$ 771.6
Deferred Tax Liabilities	(1,950.2)	(1,719.6)
Net Deferred Tax Liabilities	\$ (979.7)	\$ (948.0)
Property Related Temporary Differences	\$ (430.7)	\$ (445.0)

Amounts Due to Customers for Future Income Taxes	169.6	186.2
Deferred State Income Taxes	(194.4)	(183.9)
Accrued Nuclear Decommissioning	(557.4)	(453.7)
Regulatory Assets	(26.9)	(31.9)
Net Operating Loss Carryforward	-----	0.2
Operating Lease Liability	61.9	—
All Other, Net	(1.8)	(19.9)
Net Deferred Tax Liabilities	<u><u>\$ (979.7)</u></u>	<u><u>\$ (948.0)</u></u>

OPCo

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 202.3	\$ 209.0
Deferred Tax Liabilities	(1,051.6)	(972.3)
Net Deferred Tax Liabilities	\$ (849.3)	\$ (763.3)
Property Related Temporary Differences	\$ (890.8)	\$ (826.9)
Amounts Due to Customers for Future Income Taxes	130.2	137.0
Deferred State Income Taxes	(35.5)	(32.9)
Regulatory Assets	(48.0)	(55.0)
Operating Lease Liability	18.3	—
All Other, Net	(23.5)	14.5
Net Deferred Tax Liabilities	\$ (849.3)	\$ (763.3)

PSO

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 257.4	\$ 229.6
Deferred Tax Liabilities	(885.7)	(837.4)
Net Deferred Tax Liabilities	\$ (628.3)	\$ (607.8)
Property Related Temporary Differences	\$ (627.6)	\$ (609.4)
Amounts Due to Customers for Future Income Taxes	127.2	138.9
Deferred State Income Taxes	(100.4)	(135.6)
Regulatory Assets	(44.6)	(32.3)
Net Operating Loss Carryforward	10.2	16.4
All Other, Net	6.9	14.2
Net Deferred Tax Liabilities	\$ (628.3)	\$ (607.8)

SWEPCo

	December 31,	
	2019	2018
	(in millions)	
Deferred Tax Assets	\$ 359.6	\$ 317.4
Deferred Tax Liabilities	(1,300.5)	(1,220.2)
Net Deferred Tax Liabilities	\$ (940.9)	\$ (902.8)
Property Related Temporary Differences	\$ (947.6)	\$ (913.3)
Amounts Due to Customers for Future Income Taxes	169.8	183.4

Deferred State Income Taxes	(200.3)	(193.6)
Regulatory Assets	(30.2)	(30.8)
Net Operating Loss Carryforward	38.2	36.2
All Other, Net	29.2	15.3
Net Deferred Tax Liabilities	\$ (940.9)	\$ (902.8)

AEP System Tax Allocation Agreement

AEP and subsidiaries join in the filing of a consolidated federal income tax return. The allocation of the AEP System's current consolidated federal income tax to the AEP System companies allocates the benefit of current tax losses ("Parent Company Loss Benefit") to the AEP System companies giving rise to such losses in determining their current tax expense. The consolidated net operating loss of the AEP System is allocated to each company in the consolidated group with taxable losses. The tax benefit of the Parent is allocated to its subsidiaries with taxable income. With the exception of the allocation of the consolidated AEP System net operating loss, the loss of the Parent and tax credits, the method of allocation reflects a separate return result for each company in the consolidated group.

Federal and State Income Tax Audit Status

AEP and subsidiaries are no longer subject to U.S. federal examination by the IRS for all years through 2015. During the third quarter of 2019, AEP and subsidiaries elected to amend the 2014 and 2015 federal returns and as such the IRS may examine only the amended items on the 2014 and 2015 federal returns.

Net Income Tax Operating Loss Carryforward

As of December 31, 2019, AEP has no federal net income tax operating loss carryforward. AEP, AEPTCo, I&M, PSO and SWEPCo have state net income tax operating loss carryforwards as indicated in the table below:

Company	State/Municipality	State Net Income Tax Operating Loss Carryforward		Years of Expiration		
		(in millions)				
AEP	Arkansas	\$	102.5	2020	-	2024
AEP	Kentucky		144.9	2030	-	2037
AEP	Louisiana		541.0	2025	-	2039
AEP	Oklahoma		544.1	2034	-	2037
AEP	Tennessee		29.0	2028	-	2034
AEP	Virginia		22.6	2030	-	2037
AEP	West Virginia		16.1	2029	-	2037
AEP	Ohio Municipal		414.1	2020	-	2024
AEPTCo	Oklahoma		269.4	2034	-	2037
AEPTCo	Ohio Municipal		37.3	2020	-	2023
I&M	West Virginia		2.0	2031	-	2037
PSO	Oklahoma		240.5	2034	-	2037
SWEPCo	Arkansas		101.7	2021	-	2024
SWEPCo	Louisiana		528.1	2032	-	2037

As of December 31, 2019, AEP has recorded a valuation allowance of \$6 million, against certain state and municipal net income tax operating loss carryforwards since future taxable income is not expected to be sufficient to realize the remaining state net income tax operating loss tax benefits before the carryforward expires. Management anticipates future taxable income will be sufficient to realize the remaining state net income tax operating loss tax benefits before the carryforward expires for each state.

Tax Credit Carryforward

Federal and state net income tax operating losses sustained in 2017, 2012 and 2011 resulted in unused federal and state income tax credits. As of December 31, 2019, the Registrants have federal tax credit carryforwards and AEP and PSO have state tax credit carryforwards as indicated in the table below. If these credits are not utilized, federal general business tax credits will expire in the years 2031 through 2039.

Company	Federal Tax Credit		State Tax Credit	
	Total Federal Tax Credit Carryforward	Carryforward Subject to Expiration	Total State Tax Credit Carryforward	Carryforward Subject to Expiration
(in millions)				
AEP	\$ 247.2	\$ 239.6	\$ 36.7	\$ —
AEP Texas	1.4	1.3	—	—
AEPTCo	0.2	0.1	—	—
APCo	4.9	2.3	—	—
I&M	13.9	13.7	—	—
OPCo	5.1	1.7	—	—
PSO	1.1	1.1	36.7	—
SWEPCo	1.9	1.8	—	—

The Registrants anticipate future federal taxable income will be sufficient to realize the tax benefits of the federal tax credits before they expire unused.

Valuation Allowance

AEP assesses the available positive and negative evidence to estimate whether sufficient future taxable income of the appropriate tax character will be generated to realize the benefits of existing deferred tax assets. When the evaluation of the evidence indicates that AEP will not be able to realize the benefits of existing deferred tax assets, a valuation allowance is recorded to reduce existing deferred tax assets to the net realizable amount. Objective evidence evaluated includes whether AEP has a history of recognizing income of the character which can be offset by loss carryforwards. Other objective negative evidence evaluated is the impact recently enacted federal tax legislation will have on future taxable income and on AEP's ability to benefit from the carryforward of charitable contribution deductions.

Valuation allowance activity for the years ended December 31, 2019, 2018 and 2017 was immaterial.

Uncertain Tax Positions

The reconciliations of the beginning and ending amounts of unrecognized tax benefits are as follows:

	<u>AEP</u>	<u>AEP Texas</u>	<u>AEPTCo</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
	(in millions)							
Balance as of January 1, 2019	\$ 14.6	\$ (0.8)	\$ —	\$ —	\$ 3.2	\$ 6.9	\$ —	\$ (0.8)
Increase – Tax Positions Taken During a Prior Period	8.8	1.5	—	—	—	1.6	—	0.8
Decrease – Tax Positions Taken During a Prior Period	(2.1)	(0.7)	—	—	(0.7)	—	—	—
Increase – Tax Positions Taken During the Current Year	2.8	—	—	—	—	—	—	—
Decrease – Tax Positions Taken During the Current Year	—	—	—	—	—	—	—	—
Decrease – Settlements with Taxing Authorities	—	—	—	—	—	—	—	—
Decrease – Lapse of the Applicable Statute of Limitations	—	—	—	—	—	—	—	—
Balance as of December 31, 2019	<u>\$ 24.1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2.5</u>	<u>\$ 8.5</u>	<u>\$ —</u>	<u>\$ —</u>
	<u>AEP</u>	<u>AEP Texas</u>	<u>AEPTCo</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
	(in millions)							
Balance as of January 1, 2018	\$ 86.6	\$ (0.8)	\$ —	\$ —	\$ 3.2	\$ 6.9	\$ —	\$ (0.8)
Increase – Tax Positions Taken During a Prior Period	0.1	—	—	—	—	—	—	—
Decrease – Tax Positions Taken During a Prior Period	—	—	—	—	—	—	—	—
Increase – Tax Positions Taken During the Current Year	—	—	—	—	—	—	—	—
Decrease – Tax Positions Taken During the Current Year	—	—	—	—	—	—	—	—
Decrease – Settlements with Taxing Authorities	(71.0)	—	—	—	—	—	—	—
Decrease – Lapse of the Applicable Statute of Limitations	(1.1)	—	—	—	—	—	—	—
Balance as of December 31, 2018	<u>\$ 14.6</u>	<u>\$ (0.8)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3.2</u>	<u>\$ 6.9</u>	<u>\$ —</u>	<u>\$ (0.8)</u>
	<u>AEP</u>	<u>AEP Texas</u>	<u>AEPTCo</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
	(in millions)							
Balance as of January 1, 2017	\$ 98.8	\$ 6.5	\$ —	\$ —	\$ 3.8	\$ 6.9	\$ 0.1	\$ 1.3

Increase -- Tax Positions Taken During a Prior Period	4.5	2.0	—	—	0.2	—	0.1	1.7
Decrease -- Tax Positions Taken During a Prior Period	(28.0)	(12.3)	—	—	(0.5)	—	(0.9)	(5.4)
Increase -- Tax Positions Taken During the Current Year	3.4	—	—	—	—	—	—	—
Decrease -- Tax Positions Taken During the Current Year	—	—	—	—	—	—	—	—
Decrease -- Settlements with Taxing Authorities	7.9	3.0	—	—	(0.3)	—	0.7	1.6
Decrease -- Lapse of the Applicable Statute of Limitations	—	—	—	—	—	—	—	—
Balance as of December 31, 2017	<u>\$ 86.6</u>	<u>\$ (0.8)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3.2</u>	<u>\$ 6.9</u>	<u>\$ —</u>	<u>\$ (0.8)</u>

Management believes that there will be no significant net increase or decrease in unrecognized benefits within 12 months of the reporting date. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate for each Registrant was as follows:

Company	2019	2018	2017
	(in millions)		
AEP	\$ 20.3	\$ 11.6	\$ 10.5
AEP Texas	—	(0.7)	(0.5)
AEPTCo	—	—	—
APCo	—	—	—
I&M	2.0	2.6	2.1
OPCo	6.7	5.4	4.5
PSO	—	—	—
SWEPCo	—	(0.6)	(0.5)

Federal Tax Reform and Legislation

In December 2017, Tax Reform legislation was signed into law. Tax Reform included significant changes to the Internal Revenue Code of 1986, as amended, including lowering the corporate federal income tax rate from 35% to 21%.

The IRS has issued new regulations that provide guidance regarding the additional first-year depreciation deduction under Section 168(k). The proposed regulations reflect changes as a result of Tax Reform and affect taxpayers with qualified depreciable property acquired and placed in-service after September 27, 2017. Generally, AEP's regulated utilities will not be eligible for any bonus depreciation for property acquired and placed in-service after December 31, 2017 and AEP's competitive businesses will be eligible for 100% expensing.

During the fourth quarter of 2018, the IRS proposed new regulations that reflect changes as a result of Tax Reform concerning potential limitations on the deduction of business interest expense. These regulations require an allocation of net interest expense between regulated and competitive businesses within the consolidated tax return. This allocation is based upon net tax basis, and the proposed regulations provide a de minimis test under which all interest is deductible if less than 10% is allocable to the competitive businesses. Management continues to review and evaluate the proposed regulations and at this time expect to be able to deduct materially all business interest expense under this de minimis provision.

State Tax Legislation

In April 2018, the Kentucky legislature enacted House Bill (H.B.) 487. H.B. 487 adopts mandatory unitary combined reporting for state corporate income tax purposes applicable for taxable years beginning on or after January 1, 2019. H.B. 487 also adopts the 80% federal net operating loss (NOL) limitation under Internal Revenue Code Section 172(a) for NOLs generated after January 1, 2018 and the federal unlimited carryforward period for unused NOLs generated after January 1, 2018. In addition, H.B. 366 was also enacted in April 2018, which among other things, replaces the graduated corporate tax rate structure with a flat 5% tax rate for business income and adopts a single-sales factor apportionment formula for apportioning a corporation's business income to Kentucky. In the second quarter of 2018, AEP recorded an \$18 million benefit to Income Tax Expense as a result of remeasuring Kentucky deferred taxes under a unitary filing group. The enacted legislation did not materially impact AEPTCo's, I&M's or OPCo's net income.

13. LEASES

The disclosures in this note apply to all Registrants unless indicated otherwise.

The Registrants lease property, plant and equipment including, but not limited to, fleet, information technology and real estate leases. These leases require payments of non-lease components, including related property taxes, operating and maintenance costs. As of the adoption date of ASU 2016-02, management elected not to separate non-lease components from associated lease components in accordance with the accounting guidance for “Leases.” Many of these leases have purchase or renewal options. Leases not renewed are often replaced by other leases. Options to renew or purchase a lease are included in the measurement of lease assets and liabilities if it is reasonably certain the Registrant will exercise the option.

Lease obligations are measured using the discount rate implicit in the lease when that rate is readily determinable. AEP has visibility into the rate implicit in the lease when assets are leased from selected financial institutions under master leasing agreements. When the implicit rate is not readily determinable, the Registrants measure their lease obligation using their estimated secured incremental borrowing rate. Incremental borrowing rates are comprised of an underlying risk free rate and a secured credit spread relative to the lessee on a matched maturity basis.

Operating lease rentals and finance lease amortization costs are generally charged to Other Operation and Maintenance expense in accordance with rate-making treatment for regulated operations. Effective in 2019, interest on finance lease liabilities is generally charged to Interest Expense. Finance lease interest for periods prior to 2019 were charged to Other Operation and Maintenance expense. Lease costs associated with capital projects are included in Property, Plant and Equipment on the balance sheets. For regulated operations with finance leases, a finance lease asset and offsetting liability are recorded at the present value of the remaining lease payments for each reporting period. Finance leases for nonregulated property are accounted for as if the assets were owned and financed. The components of rental costs were as follows:

Year Ended December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Operating Lease Cost	\$ 286.0	\$ 16.5	\$ 2.5	\$ 19.5	\$ 93.1	\$ 18.0	\$ 6.8	\$ 8.0
Finance Lease Cost:								
Amortization of Right-of-Use Assets	70.8	5.1	0.1	6.7	5.7	3.5	3.1	11.0
Interest on Lease Liabilities	16.4	1.4	—	2.9	2.9	0.7	0.6	2.9
Total Lease Rental Costs (a)	\$ 373.2	\$ 23.0	\$ 2.6	\$ 29.1	\$ 101.7	\$ 22.2	\$ 10.5	\$ 21.9

Year Ended December 31, 2018	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Operating Lease Cost	\$ 245.0	\$ 13.6	\$ 2.7	\$ 18.2	\$ 89.2	\$ 10.7	\$ 5.7	\$ 6.5
Finance Lease Cost:								
Amortization of Right-of-Use Assets	62.4	4.8	0.1	7.0	6.6	3.9	3.2	11.2
Interest on Lease Liabilities	16.4	1.2	—	3.0	3.3	0.5	0.4	3.2
Total Lease Rental Costs	\$ 323.8	\$ 19.6	\$ 2.8	\$ 28.2	\$ 99.1	\$ 15.1	\$ 9.3	\$ 20.9

Year Ended December 31, 2017	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Operating Lease Cost	\$ 231.3	\$ 10.5	\$ 1.7	\$ 17.5	\$ 88.4	\$ 8.2	\$ 4.4	\$ 5.3
Finance Lease Cost:								

Amortization of Right-of-Use Assets	66.3	4.0	—	6.9	11.1	4.1	4.0	11.2
Interest on Lease Liabilities	<u>16.7</u>	<u>0.8</u>	<u>—</u>	<u>3.7</u>	<u>3.2</u>	<u>0.5</u>	<u>0.6</u>	<u>3.6</u>
Total Lease Rental Costs	<u>\$ 314.3</u>	<u>\$ 15.3</u>	<u>\$ 1.7</u>	<u>\$ 28.1</u>	<u>\$ 102.7</u>	<u>\$ 12.8</u>	<u>\$ 9.0</u>	<u>\$ 20.1</u>

(a) Excludes variable and short-term lease costs, which were immaterial for the twelve months ended December 31, 2019.

Supplemental information related to leases are shown in the tables below:

December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
Weighted-Average Remaining Lease Term (years):								
Operating Leases	5.23	6.93	2.25	6.28	3.91	7.94	7.07	6.64
Finance Leases	5.85	6.69	0.25	6.12	6.55	6.49	6.23	5.16
Weighted-Average Discount Rate:								
Operating Leases	3.60%	3.77%	3.14%	3.64%	3.45%	3.76%	3.64%	3.76%
Finance Leases	5.98%	4.62%	9.33%	8.08%	8.47%	4.54%	4.62%	5.01%

Year Ended December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
(in millions)								
Cash paid for amounts included in the measurement of lease liabilities:								
Operating Cash Flows Used for Operating Leases	\$ 284.7	\$ 15.3	\$ 2.4	\$ 19.0	\$ 94.3	\$ 18.0	\$ 6.7	\$ 7.9
Operating Cash Flows Used for Finance Leases	16.4	1.4	—	2.9	3.1	0.7	0.6	3.0
Financing Cash Flows Used for Finance Leases	70.7	5.1	—	6.7	5.7	3.5	3.1	11.0
Non-cash Acquisitions Under Operating Leases	\$ 125.0	\$ 13.8	\$ 0.6	\$ 10.2	\$ 18.7	\$ 35.4	\$ 8.2	\$ 11.4

The following tables show property, plant and equipment under finance leases and noncurrent assets under operating leases and related obligations recorded on the balance sheets. Unless shown as a separate line on the balance sheets due to materiality, net operating lease assets are included in Deferred Charges and Other Noncurrent Assets, current finance lease obligations are included in Other Current Liabilities and long-term finance lease obligations are included in Deferred Credits and Other Noncurrent Liabilities on the balance sheets. Lease obligations are not recognized on the balance sheets for lease agreements with a lease term of less than twelve months.

December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
(in millions)								
Property, Plant and Equipment Under Finance Leases:								
Generation	\$ 131.6	\$ —	\$ —	\$ 39.9	\$ 28.8	\$ —	\$ 0.6	\$ 34.1
Other Property, Plant and Equipment	323.0	45.9	0.2	18.9	39.3	27.3	21.6	51.6
Total Property, Plant and Equipment	454.6	45.9	0.2	58.8	68.1	27.3	22.2	85.7
Accumulated Amortization	151.5	11.8	0.2	17.0	23.0	7.2	7.1	28.4
Net Property, Plant and Equipment Under Finance Leases	\$ 303.1	\$ 34.1	\$ —	\$ 41.8	\$ 45.1	\$ 20.1	\$ 15.1	\$ 57.3
Obligations Under Finance Leases:								
Noncurrent Liability	\$ 249.2	\$ 28.2	\$ —	\$ 35.0	\$ 38.8	\$ 16.2	\$ 11.9	\$ 47.1
Liability Due Within One Year	57.6	5.9	—	6.8	6.3	3.9	3.2	10.5
Total Obligations Under Finance Leases	\$ 306.8	\$ 34.1	\$ —	\$ 41.8	\$ 45.1	\$ 20.1	\$ 15.1	\$ 57.6

December 31, 2018	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
(in millions)								

**Property, Plant and Equipment Under
Finance Leases:**

Generation	\$ 131.3	\$ —	\$ —	\$ 38.7	\$ 27.0	\$ —	\$ 2.6	\$ 34.3
Other Property, Plant and Equipment	<u>373.9</u>	<u>38.8</u>	<u>0.2</u>	<u>17.3</u>	<u>33.3</u>	<u>20.4</u>	<u>17.6</u>	<u>119.8</u>
Total Property, Plant and Equipment	505.2	38.8	0.2	56.0	60.3	20.4	20.2	154.1
Accumulated Amortization	<u>226.4</u>	<u>10.3</u>	<u>0.1</u>	<u>16.2</u>	<u>21.6</u>	<u>8.3</u>	<u>7.9</u>	<u>99.9</u>
Net Property, Plant and Equipment Under Finance Leases	<u>\$ 278.8</u>	<u>\$ 28.5</u>	<u>\$ 0.1</u>	<u>\$ 39.8</u>	<u>\$ 38.7</u>	<u>\$ 12.1</u>	<u>\$ 12.3</u>	<u>\$ 54.2</u>

Obligations Under Finance Leases:

Noncurrent Liability	\$ 233.5	\$ 24.0	\$ —	\$ 33.7	\$ 33.4	\$ 9.2	\$ 9.5	\$ 50.6
Liability Due Within One Year	<u>55.5</u>	<u>55.5</u>	<u>4.5</u>	<u>0.1</u>	<u>6.1</u>	<u>5.3</u>	<u>2.9</u>	<u>10.2</u>
Total Obligations Under Finance Leases	<u>\$ 289.0</u>	<u>\$ 28.5</u>	<u>\$ 0.1</u>	<u>\$ 39.8</u>	<u>\$ 38.7</u>	<u>\$ 12.1</u>	<u>\$ 12.3</u>	<u>\$ 60.8</u>

December 31, 2019	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
Operating Lease Assets	<u>\$ 957.4</u>	<u>\$ 81.8</u>	<u>\$ 3.8</u>	<u>\$ 78.5</u>	<u>\$ 294.9</u>	<u>\$ 88.0</u>	<u>\$ 36.8</u>	<u>\$ 40.5</u>
Obligations Under Operating Leases:								
Noncurrent Liability	\$ 734.6	\$ 71.1	\$ 1.9	\$ 64.0	\$ 211.6	\$ 76.0	\$ 31.0	\$ 34.7
Liability Due Within One Year	<u>234.1</u>	<u>12.0</u>	<u>2.1</u>	<u>15.2</u>	<u>87.3</u>	<u>12.5</u>	<u>5.8</u>	<u>6.5</u>
Total Obligations Under Operating Leases	<u>\$ 968.7</u>	<u>\$ 83.1</u>	<u>\$ 4.0</u>	<u>\$ 79.2</u>	<u>\$ 298.9</u>	<u>\$ 88.5</u>	<u>\$ 36.8</u>	<u>\$ 41.2</u>

Future minimum lease payments consisted of the following as of December 31, 2019:

Finance Leases	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
2020	\$ 72.7	\$ 7.3	\$ —	\$ 9.6	\$ 9.4	\$ 4.7	\$ 3.8	\$ 12.9
2021	64.9	6.7	—	8.9	8.7	4.3	3.2	11.9
2022	56.4	6.0	—	8.2	8.0	3.4	2.6	10.6
2023	49.6	5.4	—	7.7	7.5	2.8	2.3	9.8
2024	57.4	4.6	—	7.1	10.8	2.4	1.8	14.2
Later Years	64.4	9.8	—	9.8	16.4	5.7	3.8	6.8
Total Future Minimum Lease Payments	365.4	39.8	—	51.3	60.8	23.3	17.5	66.2
Less: Imputed Interest	58.6	5.7	—	9.5	15.7	3.2	2.4	8.6
Estimated Present Value of Future Minimum Lease Payments	<u>\$ 306.8</u>	<u>\$ 34.1</u>	<u>\$ —</u>	<u>\$ 41.8</u>	<u>\$ 45.1</u>	<u>\$ 20.1</u>	<u>\$ 15.1</u>	<u>\$ 57.6</u>

Operating Leases	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
2020	\$ 269.9	\$ 16.0	\$ 2.2	\$ 18.3	\$ 97.0	\$ 16.2	\$ 7.3	\$ 8.6
2021	253.6	15.3	1.2	15.7	92.9	14.2	6.4	8.2
2022	245.6	14.2	0.6	14.7	92.8	13.5	6.0	7.6
2023	74.8	13.0	0.1	11.9	10.1	12.3	5.6	6.4
2024	62.0	11.4	—	9.0	8.6	10.7	4.8	5.0
Later Years	169.7	26.0	—	20.0	21.0	36.5	12.0	11.8
Total Future Minimum Lease Payments	1,075.6	95.9	4.1	89.6	322.4	103.4	42.1	47.6
Less: Imputed Interest	106.9	12.8	0.1	10.4	23.5	14.9	5.3	6.4
Estimated Present Value of Future Minimum Lease Payments	<u>\$ 968.7</u>	<u>\$ 83.1</u>	<u>\$ 4.0</u>	<u>\$ 79.2</u>	<u>\$ 298.9</u>	<u>\$ 88.5</u>	<u>\$ 36.8</u>	<u>\$ 41.2</u>

Future minimum lease payments consisted of the following as of December 31, 2018:

Finance Leases	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
2019	\$ 70.8	\$ 5.8	\$ 0.1	\$ 9.0	\$ 8.2	\$ 3.3	\$ 3.4	\$ 13.1
2020	60.2	5.3	—	8.0	7.2	2.7	2.6	11.5
2021	51.7	4.7	—	7.3	6.6	2.3	2.0	10.5
2022	43.8	4.2	—	6.8	6.1	1.7	1.6	9.4
2023	35.5	3.7	—	6.3	5.7	1.2	1.4	8.6
Later Years	90.2	10.1	—	13.3	21.7	2.8	3.3	18.7
Total Future Minimum Lease Payments	352.2	33.8	0.1	50.7	55.5	14.0	14.3	71.8
Less: Imputed Interest	63.2	5.3	—	10.9	16.8	1.9	2.0	11.0
Estimated Present Value of Future Minimum Lease Payments	\$ 289.0	\$ 28.5	\$ 0.1	\$ 39.8	\$ 38.7	\$ 12.1	\$ 12.3	\$ 60.8

Operating Leases	AEP	AEP Texas	AEPTCo	APCo	I&M	OPCo	PSO	SWEPCo
	(in millions)							
2019	\$ 259.6	\$ 15.1	\$ 2.3	\$ 17.6	\$ 92.6	\$ 14.5	\$ 6.5	\$ 7.4
2020	250.1	14.1	1.8	16.5	89.3	13.2	6.0	7.2
2021	232.7	13.2	1.0	13.9	84.8	10.9	5.0	6.7
2022	222.5	12.2	0.5	12.8	83.8	10.0	4.6	6.1
2023	58.3	10.8	0.1	9.9	6.5	8.8	4.1	5.0
Later Years	165.2	28.4	—	20.5	19.5	31.7	10.7	11.7
Total Future Minimum Lease Payments	\$ 1,188.4	\$ 93.8	\$ 5.7	\$ 91.2	\$ 376.5	\$ 89.1	\$ 36.9	\$ 44.1

Master Lease Agreements (Applies to all Registrants except AEPTCo)

The Registrants lease certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, the Registrants are committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed. As of December 31, 2019, the maximum potential loss by the Registrants for these lease agreements assuming the fair value of the equipment is zero at the end of the lease term was as follows:

Company	Maximum Potential Loss
	(in millions)
AEP	\$ 47.3
AEP Texas	11.3
APCo	6.6
I&M	4.1
OPCo	7.3

PSO	4.2
SWEPCo	4.8

Rockport Lease (Applies to AEP and I&M)

AEGCo and I&M entered into a sale-and-leaseback transaction in 1989 with Wilmington Trust Company (Owner Trustee), an unrelated, unconsolidated trustee for Rockport Plant, Unit 2 (the Plant). The Owner Trustee was capitalized with equity from six owner participants with no relationship to AEP or any of its subsidiaries and debt from a syndicate of banks and securities in a private placement to certain institutional investors. In the first quarter of 2019, in accordance with ASU 2016-02, the \$37 million unamortized gain (\$15 million related to I&M) associated with the sale-and-leaseback of the Plant was recognized as an adjustment to equity. The adjustment to equity was then reclassified to regulatory liabilities in accordance with accounting guidance for “Regulated Operations” as AEGCo and I&M will continue to provide the benefit of the unamortized gain to customers in future periods.

The Owner Trustee owns the Plant and leases equal portions to AEGCo and I&M. The lease is accounted for as an operating lease with the payment obligations included in the future minimum lease payments schedule earlier in this note. The lease term is for 33 years and at the end of the lease term, AEGCo and I&M have the option to renew the lease at a rate that approximates fair value. The option to renew was not included in the measurement of the lease obligation as of December 31, 2019 as the execution of the option was not reasonably certain. AEP, AEGCo and I&M have no ownership interest in the Owner Trustee and do not guarantee its debt. The future minimum lease payments for this sale-and-leaseback transaction as of December 31, 2019 were as follows:

Future Minimum Lease Payments	AEP (a)		I&M
	(in millions)		
2020	\$	147.8	\$ 73.9
2021		147.8	73.9
2022		147.5	73.7
Total Future Minimum Lease Payments	\$	443.1	\$ 221.5

(a) AEP’s future minimum lease payments include equal shares from AEGCo and I&M.

AEPRO Boat and Barge Leases (Applies to AEP)

In 2015, AEP sold its commercial barge transportation subsidiary, AEPRO, to a nonaffiliated party. Certain boat and barge leases acquired by the nonaffiliated party are subject to an AEP guarantee in favor of the respective lessors, ensuring future payments under such leases with maturities up to 2027. As of December 31, 2019, the maximum potential amount of future payments required under the guaranteed leases was \$55 million. Under the terms of certain of the arrangements, upon the lessors exercising their rights after an event of default by the nonaffiliated party, AEP is entitled to enter into new lease arrangements as a lessee that would have substantially the same terms as the existing leases. Alternatively, for the arrangements with one of the lessors, upon an event of default by the nonaffiliated party and the lessor exercising its rights, payment to the lessor would allow AEP to step into the lessor’s rights as well as obtaining title to the assets. Under either situation, AEP would have the ability to utilize the assets in the normal course of barging operations. AEP would also have the right to sell the acquired assets for which it obtained title. As of December 31, 2019, AEP’s boat and barge lease guarantee liability was \$5 million, of which \$2 million was recorded in Other Current Liabilities and \$3 million was recorded in Deferred Credits and Other Noncurrent Liabilities on AEP’s balance sheet.

In February 2020, the nonaffiliated party filed Chapter 11 bankruptcy. The party entered into a restructuring support agreement and has announced it expects to continue their operations as normal. Management has determined that it is reasonably possible that enforcement of AEP’s liability for future payments under these leases will be exercised within the next twelve months. In such an event, if AEP is unable to sell or incorporate any of the acquired assets into its fleet operations, it could reduce future net income and cash flows and impact financial condition.

Lessor Activity

The Registrants' lessor activity was immaterial as of and for the twelve months ended December 31, 2019.

14. FINANCING ACTIVITIES

The disclosures in this note apply to all Registrants, unless indicated otherwise.

Common Stock (Applies to AEP)

The following table is a reconciliation of common stock share activity:

<u>Shares of AEP Common Stock</u>	<u>Issued</u>	<u>Held in Treasury</u>
Balance, December 31, 2016	512,048,520	20,336,592
Issued	162,124	—
Treasury Stock Reissued	—	(131,546) (a)
Balance, December 31, 2017	512,210,644	20,205,046
Issued	1,239,392	—
Treasury Stock Reissued	—	(886) (a)
Balance, December 31, 2018	513,450,036	20,204,160
Issued	923,595	—
Balance, December 31, 2019	<u>514,373,631</u>	<u>20,204,160</u>

(a) Reissued Treasury Stock used to fulfill share commitments related to AEP's Share-based Compensation. See "Share-based Compensation Plans" section of Note 15 for additional information.

Long-term Debt

The following table details long-term debt outstanding:

Company	Maturity	Weighted-Average	Interest Rate Ranges as of		Outstanding as of	
		Interest Rate as of	December 31,		December 31,	
		December 31, 2019	2019	2018	2019	2018
AEP						
					(in millions)	
Senior Unsecured Notes	2019-2050	4.29%	2 15%-8 13%	2 15%-8.13%	\$ 21,180.7	\$ 18,903.3
Pollution Control Bonds (a)	2019-2038 (b)	2.75%	1.35%-5.38%	1.60%-6.30%	1,998.8	1,643.8
Notes Payable – Nonaffiliated (c)	2019-2032	3.27%	2.42%-6.37%	3.20%-6.37%	234.3	204.7
Securitization Bonds	2019-2029 (d)	3.23%	1.98%-5.31%	1.98%-5.31%	1,025.1	1,111.4
Spent Nuclear Fuel Obligation (e)					279.8	273.6
Junior Subordinated Notes (f)	2022	3.40%	3.40%		787.8	—
Other Long-term Debt	2019-2059	3.03%	1.15%-13.718%	1.15%-13.718%	1,219.0	1,209.9
Total Long-term Debt Outstanding					<u>\$ 26,725.5</u>	<u>\$ 23,346.7</u>
AEP Texas						
Senior Unsecured Notes	2019-2050	4.01%	2.40%-6.76%	2.40%-6.76%	\$ 3,090.9	\$ 2,398.4
Pollution Control Bonds	2020-2030	3.63%	1.75%-4.55%	1.75%-6.30%	490.3	490.9
Securitization Bonds	2020-2029 (d)	3.25%	1.98%-5.31%	1.98%-5.31%	776.8	791.2
Other Long-term Debt	2019-2059	3.06%	3.05%-4.50%	3.94%-4.50%	200.4	200.8
Total Long-term Debt Outstanding					<u>\$ 4,558.4</u>	<u>\$ 3,881.3</u>
AEPTCo						
Senior Unsecured Notes	2019-2049	3.86%	3.10%-5.52%	2.68%-5.52%	\$ 3,427.3	\$ 2,823.0
Total Long-term Debt Outstanding					<u>\$ 3,427.3</u>	<u>\$ 2,823.0</u>
APCo						
Senior Unsecured Notes	2021-2049	5.12%	3.30%-7.00%	3.30%-7.00%	\$ 3,442.7	\$ 3,047.3
Pollution Control Bonds (a)	2019-2038 (b)	2.64%	1.67%-5.38%	1.70%-5.38%	546.1	616.0
Securitization Bonds	2023-2028 (d)	3.17%	2.008%-3.772%	2.008%-3.772%	248.3	272.3
Other Long-term Debt	2019-2026	3.14%	2.97%-13.718%	3.74%-13.718%	126.7	127.0
Total Long-term Debt Outstanding					<u>\$ 4,363.8</u>	<u>\$ 4,062.6</u>
I&M						
Senior Unsecured Notes	2023-2048	4.38%	3.20%-6.05%	3.20%-6.05%	\$ 2,150.7	\$ 2,149.0
Pollution Control Bonds (a)	2019-2025 (b)	2.55%	1.79%-3.05%	1.81%-3.05%	240.0	264.5
Notes Payable – Nonaffiliated (c)	2019-2024	2.49%	2.42%-2.80%	3.20%-3.38%	168.7	135.8
Spent Nuclear Fuel Obligation (e)					279.8	273.6
Other Long-term Debt	2021-2025	3.09%	2.93%-6.00%	3.66%-6.00%	211.0	212.5
Total Long-term Debt Outstanding					<u>\$ 3,050.2</u>	<u>\$ 3,035.4</u>
OPCo						
Senior Unsecured Notes	2021-2049	5.20%	4.00%-6.60%	4.15%-6.60%	\$ 2,081.0	\$ 1,635.5
Pollution Control Bonds	2038			5.80%	—	32.3
Securitization Bonds	2019 (d)			2.049%	—	47.8

Other Long-term Debt	2028	1.15%	1.15%	1.15%	1.0	1.0
Total Long-term Debt Outstanding					\$ 2,082.0	\$ 1,716.6

PSO

Senior Unsecured Notes	2019-2049	4.55%	3.05%-6.625%	3.05%-6.625%	\$ 1,245.6	\$ 1,144.9
Pollution Control Bonds	2020	4.45%	4.45%	4.45%	12.7	12.6
Other Long-term Debt	2019-2027	3.19%	3.00%-3.20%	3.00%-3.72%	127.9	129.5
Total Long-term Debt Outstanding					\$ 1,386.2	\$ 1,287.0

SWEP Co

Senior Unsecured Notes	2022-2048	4.04%	2.75%-6.20%	2.75%-6.20%	\$ 2,428.9	\$ 2,427.0
Pollution Control Bonds	2019			1.60%	—	53.5
Notes Payable – Nonaffiliated (c)	2024-2032	5.26%	4.58%-6.37%	4.58%-6.37%	65.6	68.9
Other Long-term Debt	2020-2035	3.55%	3.08%-4.68%	3.75%-4.68%	161.1	164.0
Total Long-term Debt Outstanding					\$ 2,655.6	\$ 2,713.4

- (a) For certain series of Pollution Control Bonds, interest rates are subject to periodic adjustment. Certain series may be purchased on demand at periodic interest adjustment dates. Letters of credit from banks and insurance policies support certain series.
- (b) Certain Pollution Control Bonds are subject to redemption earlier than the maturity date. Consequently, these bonds have been classified for maturity purposes as Long-term Debt Due Within One Year - Nonaffiliated on the balance sheets.
- (c) Notes payable represent outstanding promissory notes issued under term loan agreements and credit agreements with a number of banks and other financial institutions. At expiration, all notes then issued and outstanding are due and payable. Interest rates are both fixed and variable. Variable rates generally relate to specified short-term interest rates.
- (d) Dates represent the scheduled final payment dates for the securitization bonds. The legal maturity date is one to two years later. These bonds have been classified for maturity and repayment purposes based on the scheduled final payment date.
- (e) Spent Nuclear Fuel Obligation consists of a liability along with accrued interest for disposal of SNF. See "Spent Nuclear Fuel Disposal" section of Note 6 for additional information.
- (f) See "Equity Units" section below for additional information.

As of December 31, 2019, outstanding long-term debt was payable as follows:

	<u>AEP</u>	<u>AEP Texas</u>	<u>AEPTCo</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
	(in millions)							
2020	\$ 1,598.7	\$ 392.1	\$ —	\$ 215.6	\$ 139.7	\$ 0.1	\$ 13.2	\$ 121.2
2021	2,022.7	88.7	50.0	393.0	291.5	500.1	250.5	6.2
2022	3,014.6 (a)	716.0	104.0	355.4	26.8	0.1	125.5	281.2
2023	739.9	218.5	60.0	26.6	259.2	0.1	0.6	6.2
2024	706.5	96.0	95.0	113.5	4.2	0.1	0.6	31.2
After 2024	<u>18,863.1</u>	<u>3,081.4</u>	<u>3,156.0</u>	<u>3,296.9</u>	<u>2,355.3</u>	<u>1,600.5</u>	<u>1,001.4</u>	<u>2,231.7</u>
Principal Amount	26,945.5	4,592.7	3,465.0	4,401.0	3,076.7	2,101.0	1,391.8	2,677.7
Unamortized Discount, Net and Debt Issuance Costs	<u>(220.0)</u>	<u>(34.3)</u>	<u>(37.7)</u>	<u>(37.2)</u>	<u>(26.5)</u>	<u>(19.0)</u>	<u>(5.6)</u>	<u>(22.1)</u>
Total Long-term Debt Outstanding	<u><u>\$ 26,725.5</u></u>	<u><u>\$ 4,558.4</u></u>	<u><u>\$ 3,427.3</u></u>	<u><u>\$ 4,363.8</u></u>	<u><u>\$ 3,050.2</u></u>	<u><u>\$ 2,082.0</u></u>	<u><u>\$ 1,386.2</u></u>	<u><u>\$ 2,655.6</u></u>

(a) Amount includes \$805 million of Junior Subordinated Notes. See "Equity Units" section below for additional information.

As of December 31, 2019, trustees held, on behalf of AEP, \$35 million of their reacquired Pollution Control Bonds. Of this total, \$35 million related to OPCo. In January 2020, those Pollution Control Bonds were redeemed.

Long-term Debt Subsequent Events

In January and February 2020, AEP Texas retired \$111 million and \$3 million, respectively, of Securitization Bonds.

In January and February 2020, I&M retired \$8 million and \$5 million, respectively, of Notes Payable related to DCC Fuel.

In January 2020, Transource Energy issued \$4 million of variable rate Other Long-term Debt due in 2023.

In February 2020, APCo retired \$12 million of Securitization Bonds.

Equity Units (Applies to AEP)

In March 2019, AEP issued 16.1 million Equity Units initially in the form of corporate units, at a stated amount of \$50 per unit, for a total stated amount of \$805 million. Net proceeds from the issuance were approximately \$785 million. The proceeds were used to support AEP's overall capital expenditure plans including the acquisition of Sempra Renewables LLC.

Each corporate unit represents a 1/20 undivided beneficial ownership interest in \$1,000 principal amount of AEP's 3.40% Junior Subordinated Notes (notes) due in 2024 and a forward equity purchase contract which settles after three years in 2022. The notes are expected to be remarketed in 2022, at which time the interest rate will reset at the then current market rate. Investors may choose to remarket their notes to receive the remarketing proceeds and use those funds to settle the forward equity purchase contract, or accept the remarketed debt and use other funds for the equity purchase. If the remarketing is unsuccessful, investors have the right to put their notes to AEP at a price equal to the principal. The Equity Units carry an annual distribution rate of 6.125%, which is comprised of a quarterly coupon rate of interest of 3.40% and a quarterly forward equity purchase contract payment of 2.725%.

Each forward equity purchase contract obligates the holder to purchase, and AEP to sell, for \$50 a number of shares in common stock in accordance with the conversion ratios set forth below (subject to an anti-dilution adjustment):

- If the AEP common stock market price is equal to or greater than \$99.58: 0.5021 shares per contract.

- If the AEP common stock market price is less than \$99.58 but greater than \$82.98: a number of shares per contract equal to \$50 divided by the applicable market price. The holder receives a variable number of shares at \$50.
- If the AEP common stock market price is less than or equal to \$82.98: 0.6026 shares per contract.

A holder's ownership interest in the notes is pledged to AEP to secure the holder's obligation under the related forward equity purchase contract. If a holder of the forward equity purchase contract chooses at any time to no longer be a holder of the notes, such holder's obligation under the forward equity purchase contract must be secured by a U.S. Treasury security which must be equal to the aggregate principal amount of the notes.

At the time of issuance, the \$805 million of notes were recorded within Long-term Debt on the balance sheets. The present value of the purchase contract payments of \$62 million were recorded in Deferred Credits and Other Noncurrent Liabilities with a current portion in Other Current Liabilities at the time of issuance, representing the obligation to make forward equity contract payments, with an offsetting reduction to Paid-in Capital. The difference between the face value and present value of the purchase contract payments will be accreted to Interest Expense on the statements of income over the three year period ending in 2022. The liability recorded for the contract payments is considered non-cash and excluded from the statements of cash flows. Until settlement of the forward equity purchase contract, earnings per share dilution resulting from the equity unit issuance will be determined under the treasury stock method. The maximum amount of shares AEP will be required to issue to settle the purchase contract is 9,701,860 shares (subject to an anti-dilution adjustment).

Debt Covenants (Applies to AEP and AEPTCo)

Covenants in AEPTCo's note purchase agreements and indenture limit the amount of contractually-defined priority debt (which includes a further sub-limit of \$50 million of secured debt) to 10% of consolidated tangible net assets. AEPTCo's contractually-defined priority debt was 1.6% of consolidated tangible net assets as of December 31, 2019. The method for calculating the consolidated tangible net assets is contractually-defined in the note purchase agreement.

Dividend Restrictions

Utility Subsidiaries' Restrictions

Parent depends on its utility subsidiaries to pay dividends to shareholders. AEP utility subsidiaries pay dividends to Parent provided funds are legally available. Various financing arrangements and regulatory requirements may impose certain restrictions on the ability of the subsidiaries to transfer funds to Parent in the form of dividends.

All of the dividends declared by AEP's utility subsidiaries that provide transmission or local distribution services are subject to a Federal Power Act restriction that prohibits the payment of dividends out of capital accounts without regulatory approval; payment of dividends is allowed out of retained earnings only. The Federal Power Act also creates a reserve on retained earnings attributable to hydroelectric generation plants. Because of their ownership of such plants, this reserve applies to AGR, APCo and I&M.

Certain AEP subsidiaries have credit agreements that contain covenants that limit their debt to capitalization ratio to 67.5%. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements.

The most restrictive dividend limitation for certain AEP subsidiaries is through the Federal Power Act restriction, while for other AEP subsidiaries the most restrictive dividend limitation is through the credit agreements. As of December 31, 2019, the maximum amount of restricted net assets of AEP's subsidiaries that may not be distributed to the Parent in the form of a loan, advance or dividend was \$13.2 billion.

The Federal Power Act restriction limits the ability of the AEP subsidiaries owning hydroelectric generation to pay dividends out of retained earnings. Additionally, the credit agreement covenant restrictions can limit the ability of the AEP subsidiaries to pay dividends out of retained earnings. As of December 31, 2019, the amount of any such restrictions were as follows:

	<u>AEP</u>	<u>AEP Texas</u>	<u>AEPTCo</u>	<u>APCo</u>	<u>I&M</u>	<u>OPCo</u>	<u>PSO</u>	<u>SWEPCo</u>
	(in millions)							
Restricted Retained Earnings	\$ 1,741.4 (a)	\$ 385.0	\$ —	\$ 26.3	\$ 524.5	\$ —	\$ 153.0	\$ 534.5

(a) Includes the restrictions of consolidated and non-consolidated subsidiaries.

Parent Restrictions (Applies to AEP)

The holders of AEP's common stock are entitled to receive the dividends declared by the Board of Directors provided funds are legally available for such dividends. Parent's income primarily derives from common stock equity in the earnings of its utility subsidiaries.

Pursuant to the leverage restrictions in credit agreements, AEP must maintain a percentage of debt to total capitalization at a level that does not exceed 67.5%. The method for calculating outstanding debt and capitalization is contractually-defined in the credit agreements. As of December 31, 2019, AEP had \$7.2 billion of available retained earnings to pay dividends to common shareholders. AEP paid \$1.3 billion, \$1.3 billion and \$1.2 billion of dividends to common shareholders for the years ended December 31, 2019, 2018 and 2017, respectively.

Lines of Credit and Short-term Debt (Applies to AEP and SWEPCo)

AEP uses its commercial paper program to meet the short-term borrowing needs of its subsidiaries. The program funds a Utility Money Pool, which funds AEP's utility subsidiaries; a Nonutility Money Pool, which funds certain AEP nonutility subsidiaries; and the short-term debt requirements of subsidiaries that are not participating in either money pool for regulatory or operational reasons, as direct borrowers. As of December 31, 2019, AEP had a \$4 billion revolving credit facility to support its commercial paper program. The commercial paper program for the year ended 2019, had a weighted-average interest rate of 2.51% and a maximum amount outstanding of \$2.2 billion. AEP's outstanding short-term debt was as follows:

		December 31,			
		2019		2018	
<u>Company</u>	<u>Type of Debt</u>	<u>Outstanding Amount</u>	<u>Interest Rate (a)</u>	<u>Outstanding Amount</u>	<u>Interest Rate (a)</u>
		(in millions)		(in millions)	
AEP	Securitized Debt for Receivables (b)	\$ 710.0	2.42%	\$ 750.0	2.16%
AEP	Commercial Paper	2,110.0	2.10%	1,160.0	2.96%
SWEPCo	Notes Payable	18.3	3.29%	—	—%
Total Short-term Debt		<u>\$ 2,838.3</u>		<u>\$ 1,910.0</u>	

(a) Weighted-average rate.

(b) Amount of securitized debt for receivables as accounted for under the "Transfers and Servicing" accounting guidance.

Corporate Borrowing Program – AEP System (Applies to Registrant Subsidiaries)

The AEP System uses a corporate borrowing program to meet the short-term borrowing needs of AEP's subsidiaries. The corporate borrowing program includes a Utility Money Pool, which funds AEP's utility subsidiaries; a Nonutility Money Pool, which funds certain AEP nonutility subsidiaries; and direct borrowing from AEP. The AEP System Utility Money Pool operates in accordance with the terms and conditions of its agreement filed with the FERC. The amounts of outstanding loans to (borrowings from) the Utility Money Pool as of December 31, 2019 and 2018 are included in Advances to Affiliates and Advances from Affiliates, respectively, on the Registrant Subsidiaries' balance sheets. The Utility Money Pool participants' money pool activity and corresponding authorized borrowing limits are described in the following tables:

Year Ended December 31, 2019:

Company	Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Net Loans to (Borrowings from) the Utility Money Pool as of December 31, 2019	Authorized Short-term Borrowing Limit
(in millions)						
AEP Texas	\$ 390.7	\$ 213.1	\$ 239.3	\$ 194.4	\$ 199.7	\$ 500.0
AEPTCo	374.9	244.4	152.0	52.8	(119.0)	795.0 (a)
APCo	270.0	232.2	115.9	51.9	(214.6)	500.0
I&M	158.8	66.0	71.5	16.2	(101.2)	500.0
OPCo	291.2	178.6	129.2	50.1	(131.0)	500.0
PSO	140.5	215.6	63.9	98.3	38.8	300.0
SWEPCo	105.1	81.4	53.3	13.6	(59.9)	350.0

Year Ended December 31, 2018:

Company	Maximum Borrowings from the Utility Money Pool	Maximum Loans to the Utility Money Pool	Average Borrowings from the Utility Money Pool	Average Loans to the Utility Money Pool	Net Loans to (Borrowings from) the Utility Money Pool as of December 31, 2018	Authorized Short-term Borrowing Limit
(in millions)						
AEP Texas	\$ 390.6	\$ 106.9	\$ 176.0	\$ 47.1	\$ (216.0)	\$ 500.0
AEPTCo	371.3	276.4	177.9	58.4	35.8	795.0 (a)
APCo	295.5	23.7	175.3	23.3	(182.6)	600.0
I&M	322.1	657.8	255.5	110.7	11.6	500.0
OPCo	270.8	225.0	167.8	189.4	(114.1)	500.0
PSO	193.7	31.8	104.5	12.9	(105.5)	300.0
SWEPCo	200.1	533.7	143.2	268.1	81.4	350.0

(a) Amount represents the combined authorized short-term borrowing limit the State Transcos have from FERC or state regulatory commissions.

The activity in the above tables does not include short-term lending activity of certain AEP nonutility subsidiaries. AEP Texas' wholly-owned subsidiary, AEP Texas North Generation Company, LLC and SWEPCo's wholly-owned subsidiary, Mutual Energy SWEPCo, LLC participate in the Nonutility Money Pool. The amounts of outstanding loans to the Nonutility Money Pool as of December 31, 2019 and 2018 are included in Advances to Affiliates on each subsidiaries' balance sheets. The Nonutility Money Pool participants' money pool activity is described in the following tables:

Year Ended December 31, 2019:

Company	Maximum Loans to the Nonutility Money Pool	Average Loans to the Nonutility Money Pool	Loans to the Nonutility Money Pool as of December 31, 2019
	(in millions)		
AEP Texas	\$ 8.0	\$ 7.7	\$ 7.5
SWEPCo	2.1	2.0	2.1

Year Ended December 31, 2018:

Company	Maximum Loans to the Nonutility Money Pool	Average Loans to the Nonutility Money Pool	Loans to the Nonutility Money Pool as of December 31, 2018
	(in millions)		
AEP Texas	\$ 8.4	\$ 8.1	\$ 8.0
SWEPCo	2.0	2.0	2.0

AEP has a direct financing relationship with AEPTCo to meet its short-term borrowing needs. The amounts of outstanding loans to and borrowings from AEP as of December 31, 2019 and 2018 are included in Advances to Affiliates and Advances from Affiliates, respectively, on AEPTCo's balance sheets. AEPTCo's direct financing activities with AEP and corresponding authorized borrowing limits are described in the following tables:

Year Ended December 31, 2019:

Maximum Borrowings from AEP	Maximum Loans to AEP	Average Borrowings from AEP	Average Loans to AEP	Borrowings from AEP as of December 31, 2019	Loans to AEP as of December 31, 2019	Authorized Short-term Borrowing Limit
				(in millions)		
\$ 1.3	\$ 153.5	\$ 1.3	\$ 68.0	\$ 1.3	\$ 68.7	\$ 75.0 (a)

Year Ended December 31, 2018:

Maximum Borrowings from AEP	Maximum Loans to AEP	Average Borrowings from AEP	Average Loans to AEP	Borrowings from AEP as of December 31, 2018	Loans to AEP as of December 31, 2018	Authorized Short-term Borrowing Limit
				(in millions)		
\$ 1.2	\$ 104.7	\$ 1.1	\$ 49.8	\$ 1.2	\$ 16.9	\$ 75.0 (a)

(a) Amount represents the combined authorized short-term borrowing limit the State Transcos have from FERC or state regulatory commissions.

The maximum and minimum interest rates for funds either borrowed from or loaned to the Utility Money Pool are

summarized in the following table:

	Years Ended December 31,		
	2019	2018	2017
Maximum Interest Rate	3.43%	2.97%	1.85%
Minimum Interest Rate	1.77%	1.81%	0.92%

The average interest rates for funds borrowed from and loaned to the Utility Money Pool are summarized in the following table:

Company	Average Interest Rate for Funds Borrowed from the Utility Money Pool for the Years Ended December 31,			Average Interest Rate for Funds Loaned to the Utility Money Pool for the Years Ended December 31,		
	2019	2018	2017	2019	2018	2017
AEP Texas	2.63%	2.26%	1.29%	2.03%	2.29%	1.26%
AEPTCo	2.64%	2.27%	1.36%	2.41%	2.10%	1.27%
APCo	2.45%	2.26%	1.28%	2.66%	2.21%	1.29%
I&M	2.34%	2.16%	1.27%	2.60%	2.08%	1.29%
OPCo	2.67%	2.18%	1.37%	2.68%	2.47%	0.98%
PSO	2.85%	2.27%	1.32%	2.27%	1.98%	—%
SWEPCo	2.72%	2.31%	1.28%	2.22%	2.00%	0.98%

Maximum, minimum and average interest rates for funds either borrowed from or loaned to the Nonutility Money Pool are summarized in the following table:

Year Ended December 31,	Company	Maximum Interest Rate for Funds Loaned to the Nonutility Money Pool	Minimum Interest Rate for Funds Loaned to the Nonutility Money Pool	Average Interest Rate for Funds Loaned to the Nonutility Money Pool
2019	AEP Texas	3.02%	1.91%	2.56%
2019	SWEPCo	3.02%	1.91%	2.55%
2018	AEP Texas	2.97%	1.83%	2.36%
2018	SWEPCo	2.97%	1.83%	2.36%
2017	AEP Texas	1.85%	—%	1.32%
2017	SWEPCo	1.85%	—%	1.32%

AEPTCo's maximum, minimum and average interest rates for funds either borrowed from or loaned to AEP are summarized in the following table:

Year Ended December 31,	Maximum Interest Rate for Funds Borrowed from AEP	Minimum Interest Rate for Funds Borrowed from AEP	Maximum Interest Rate for Funds Loaned to AEP	Minimum Interest Rate for Funds Loaned to AEP	Average Interest Rate for Funds Borrowed from AEP	Average Interest Rate for Funds Loaned to AEP
2019	3.02%	1.91%	3.02%	1.91%	2.55%	2.51%
2018	2.97%	1.76%	2.97%	1.76%	2.36%	2.36%
2017	1.85%	0.92%	1.85%	0.92%	1.33%	1.36%

Interest expense and interest income related to the Utility Money Pool, Nonutility Money Pool and direct borrowing financing relationship are included in Interest Expense and Interest Income, respectively, on each of the Registrant Subsidiaries' statements of income. The interest expense and interest income related to the corporate borrowing programs were immaterial for the years ended December 31, 2019, 2018 and 2017.

Credit Facilities

See “Letters of Credit” section of Note 6 for additional information.

Securitized Accounts Receivables – AEP Credit (Applies to AEP)

AEP Credit has a receivables securitization agreement that provides a commitment of \$750 million from bank conduits to purchase receivables and expires in July 2021. Under the securitization agreement, AEP Credit receives financing from the bank conduits for the interest in the receivables AEP Credit acquires from affiliated utility subsidiaries. These securitized transactions allow AEP Credit to repay its outstanding debt obligations, continue to purchase the operating companies’ receivables and accelerate AEP Credit’s cash collections.

Accounts receivable information for AEP Credit was as follows:

	Years Ended December 31,		
	2019	2018	2017
	(dollars in millions)		
Effective Interest Rates on Securitization of Accounts Receivable	2.42%	2.16%	1.22%
Net Uncollectible Accounts Receivable Written Off	\$ 26.6	\$ 27.6	\$ 23.4

	December 31,	
	2019	2018
	(in millions)	
Accounts Receivable Retained Interest and Pledged as Collateral Less Uncollectible Accounts	\$ 841.8	\$ 972.5
Short-term – Securitized Debt of Receivables	710.0	750.0
Delinquent Securitized Accounts Receivable	39.6	50.3
Bad Debt Reserves Related to Securitization	32.1	27.5
Unbilled Receivables Related to Securitization	266.8	281.4

AEP Credit's delinquent customer accounts receivable represent accounts greater than 30 days past due.

Securitized Accounts Receivables – AEP Credit (Applies to Registrant Subsidiaries, except AEPTCo and AEP Texas)

Under this sale of receivables arrangement, the Registrant Subsidiaries sell, without recourse, certain of their customer accounts receivable and accrued unbilled revenue balances to AEP Credit and are charged a fee based on AEP Credit's financing costs, administrative costs and uncollectible accounts experience for each Registrant Subsidiary's receivables. APCo does not have regulatory authority to sell its West Virginia accounts receivable. The costs of customer accounts receivable sold are reported in Other Operation expense on the Registrant Subsidiaries' statements of income. The Registrant Subsidiaries manage and service their customer accounts receivable, which are sold to AEP Credit. AEP Credit securitizes the eligible receivables for the operating companies and retains the remainder.

The amount of accounts receivable and accrued unbilled revenues under the sale of receivables agreement were:

Company	December 31,	
	2019	2018
	(in millions)	
APCo	\$ 120.9	\$ 133.3
I&M	141.8	152.9
OPCo	330.3	395.2
PSO	101.1	109.7
SWEPCo	125.2	150.3

The fees paid to AEP Credit for customer accounts receivable sold were:

Company	Years Ended December 31,		
	2019	2018	2017
	(in millions)		
APCo	\$ 7.4	\$ 7.0	\$ 5.6
I&M	11.1	9.2	6.7

OPCo	27.1	26.3	21.7
PSO	7.8	7.9	7.0
SWEPCo	10.2	8.9	7.2

The proceeds on the sale of receivables to AEP Credit were:

Company	Years Ended December 31,		
	2019	2018	2017
	(in millions)		
APCo	\$ 1,310.3	\$ 1,421.0	\$ 1,372.8
I&M	1,824.2	1,843.0	1,612.9
OPCo	2,293.6	2,674.5	2,339.0
PSO	1,442.5	1,484.6	1,337.0
SWEPCo	1,618.5	1,736.1	1,563.4

15. STOCK-BASED COMPENSATION

The disclosures in this note apply to AEP only. The impact of AEP's share-based compensation plans is insignificant to the financial statements of the Registrant Subsidiaries.

Awards under AEP's long-term incentive plan may be granted to employees and directors. The Amended and Restated American Electric Power System Long-Term Incentive Plan (the "Prior Plan"), was replaced prospectively for new grants by the American Electric Power System 2015 Long-Term Incentive Plan (the "2015 LTIP") effective in April 2015. The 2015 LTIP was subsequently amended in September 2016. The 2015 LTIP provides for a maximum of 10 million AEP common shares to be available for grant to eligible employees and directors. As of December 31, 2019, 7,667,992 shares remained available for issuance under the 2015 LTIP. No new awards may be granted under the Prior Plan. The 2015 LTIP awards may be stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. Shares issued pursuant to a stock option or a stock appreciation right reduce the shares remaining available for grants under the 2015 LTIP by 0.286 of a share. Shares issued for any other awards that settles in AEP stock reduce the shares remaining available for grants under the 2015 LTIP by one share. Cash settled awards do not reduce the number of shares remaining available under the 2015 LTIP. The following sections provide further information regarding each type of stock-based compensation award granted under these plans.

Performance Shares

Performance units granted prior to 2017 were settled in cash rather than AEP common stock and did not reduce the number of shares remaining available under the 2015 LTIP. Those performance units had a fair value upon vesting equal to the average closing market price of AEP common stock for the last 20 trading days of the performance period. Performance shares granted in and after 2017 are settled in AEP common stock and will reduce the aggregate share authorization. In all cases the number of performance shares held at the end of the three-year performance period is multiplied by the performance score for such period to determine the actual number of performance shares that participants realize. The performance score can range from 0% to 200% and is determined at the end of the performance period based on performance measures, which include both performance and market conditions, established for each grant at the beginning of the performance period by the Human Resources Committee of AEP's Board of Directors (HR Committee).

Certain employees must satisfy a minimum stock ownership requirement. If those employees have not met their stock ownership requirement, a portion or all of their performance shares are mandatorily deferred as AEP career shares to the extent needed to meet their stock ownership requirement. AEP career shares are a form of non-qualified deferred compensation that has a value equivalent to a share of AEP common stock. AEP career shares are settled in AEP common stock after the participant's termination of employment.

AEP career shares are recorded in Paid-in Capital on the balance sheets. Amounts equivalent to cash dividends on both performance shares and AEP career shares accrue as additional shares. Management records compensation cost for performance shares over an approximately three-year vesting period. The liability for the pre-2017 performance units was recorded in Employee Benefits and Pension Obligations on the balance sheets and was adjusted for changes in value. Performance shares are recorded as mezzanine equity on the balance sheets and compensation cost is calculated at fair value using two equally weighted metrics. The first metric is a total shareholder return measure, which is valued based on a third-party Monte Carlo valuation. The value related to this metric does not change over the three-year vesting period. The second metric is a three-year cumulative earnings per share metric which is adjusted quarterly for changes in performance relative to a target approved by the HR Committee.